Canada: Imperialist Power or Economic Colony?

RED STAR COLLECTIVE

Pamphlet #1 March 1977

"To overlook the peculiarity of
political and strategic relationships
and to repeat indiscriminately
word learned by rote, 'imperialism',
is anything but Marxism."

V.I. Lenin
A Caricature of Marxism

Foreword

The Canadian working class has not had revolutionary leadership since the Communist Party of Canada (CP) turned revisionist. Since the CP took the path of parliamentary reform of capitalism and of acting as apologists for Social-imperialism, there have been but a few attempts to keep alive the spark of Marxism-Leninism in Canada. One recent notable example was the Progressive Workers Movement of the late 1960's which, although unable to grow beyond the borders of British Columbia, worked with determination to develop and apply a revolutionary strategy.

In the last couple of years a new Marxist-Leninist movement has emerged nationally. Made up of groups, collectives, study circles and individuals, this movement is actively taking up the task of creating a genuine proletarian vanguard party. The movement is still young, inexperienced and disorganized. One of its main weaknesses is a superficial understanding of the actual conditions in Canada. It will require a great deal of investigation and debate before firm positions can be taken on a whole range of questions - such as what classes make up the revolutionary forces, what is Canada's role internationally, what is the nature of the various mass organizations in Canada, and many others.

The **Red Star Collective** began several years ago as a study group (the **Vancouver Study Group)** which had as its purpose to understand Canadian society from a Marxist perspective. We have since developed into a collective committed to the creation of a new Marxist-Leninist party in Canada.

The area of political economy is central to the development of a revolutionary strategy. We put forward this pamphlet as a contribution to the debate on these questions. We hope to distribute it widely within the movement as well as to progressives among the workers and allied classes. We encourage criticism and struggle over the lines we have advanced. We also encourage people to make use of the pamphlet as a starting point for further investigation of the many questions that have not been adequately addressed.

We find ourselves at present in sharp disagreement with not only the lines but the methods of developing those lines of many of the groups in the movement. Dogmatism, particularly of the **Canadian Communist League - Marxist-Leninist [CCL-ML],** but also of **In Struggle!** and others, presents a real obstacle to the correct application of Marxism-Leninism to Canada. We expect that through principled struggle this dogmatism as well as other errors of both the right and 'left' can be rectified and an ideological and political basis can be lain for the organizational unity of the movement. This organization will have as its task the consolidation of the vanguard of the working class into a new Communist Party.

We are continuing work on the development of positions on other questions that face the movement. We plan to issue other pamphlets in the coming months. Political economy is the subject of our first pamphlet because this question is being taken up generally in the movement at present and particularly in relation to the national conference being organized by **In Struggle!** in April of this year. We have included a summary of our position on the international situation at the back of this work in order to place our analysis of Canada within a world context.

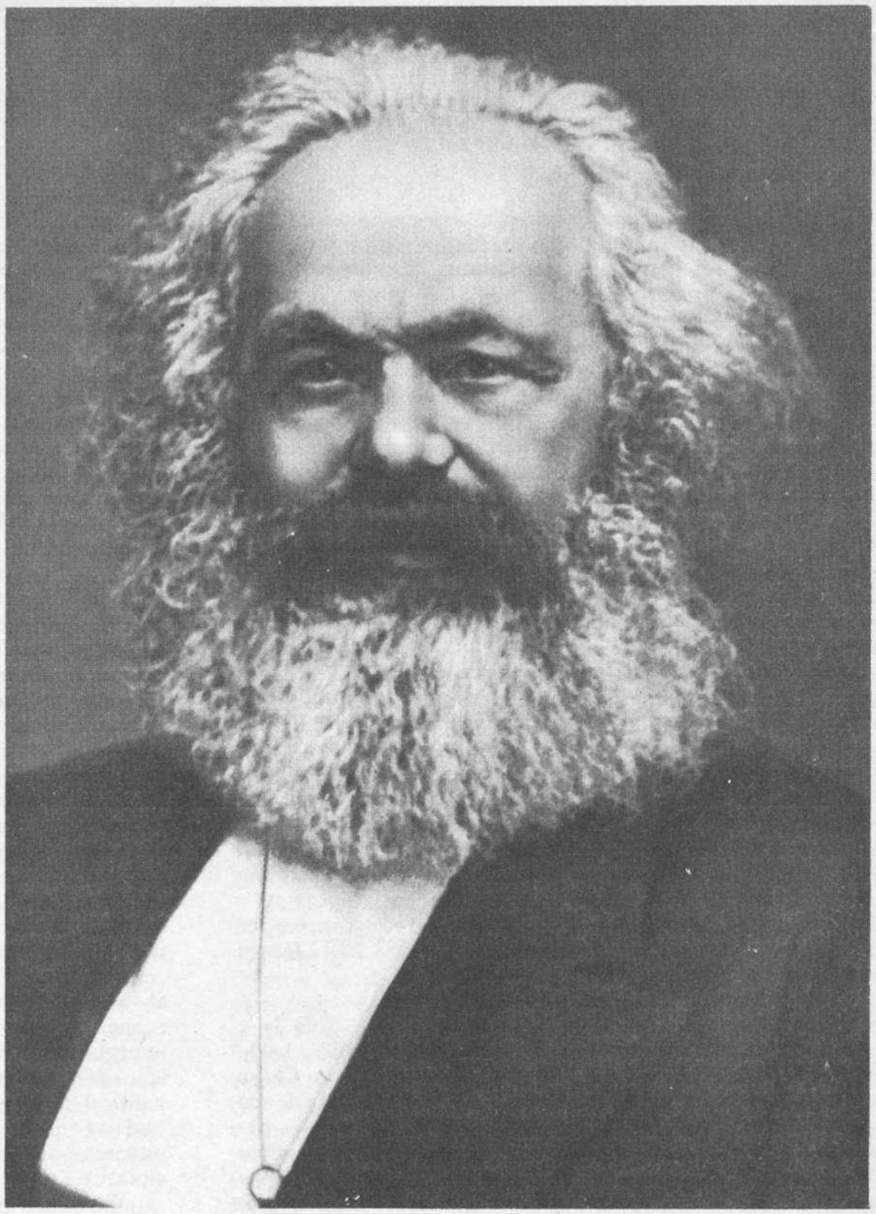
In this pamphlet the lines of **CCL-ML** are taken up in some depth. While the line of **In Struggle!** is also addressed, it is not to the same extent. This is because the third issue of **Proletarian Unity,** in which **In Struggle!** gives a comprehensive statement on political economy for the first time, did not reach us until we had already begun the process of production of this pamphlet.

While the French edition of this pamphlet will not be published in time for the conference, we consider this task to be a priority. We should note at this time that one of the weaknesses of our effort is that it is written solely from the perspective of an English-Canadian group. By and large, we have not had the benefit of much of the historical work which has been done in Quebec.

Finally we would like to thank the **October Study Group** as well as the **May First Collective** and the **Long March Collective** for their comradely assistance in the production of this pamphlet. It should be clear, however, that we alone are accountable for the positions taken.

* **Red Star Collective**
March/1977

Contents



Introduction

The Importance of the Question of the Principal Contradiction

The growing Canadian Marxist-Leninist movement, while still backward and having only primitive links with the working class, has begun to seriously turn its attention to the question of the principal contradiction. This is a recognition of the fact that to develop a correct strategy for revolutionary struggle it is essential that the Marxist-Leninist party have a correct understanding of the principal contradiction. In order for unity on political line to advance and with it organizational unity, this question must be taken up resolutely and thoroughly debated.

The principal contradiction describes the forces in opposition to each other throughout the period and is the contradiction **"whose existence and development determine or influence the existence and development of the other contradictions."** [Mao Tse-tung,**On Contradiction]** Correctly defining the principal contradiction allows us to accurately assess who are allies, who are enemies and which class elements vacillate from one to the other. With this understanding, Marxist-Leninists can create a strategy which will strengthen their forces, making use of all possible alliances, while isolating and weakening their enemies.

Failure to grasp the principal contradiction means that we would weaken our ranks, either by including enemies or excluding friends. It would also result in failing to see the enemy where it really exists or branding potential allies as enemies and casting them into the enemies' camp. With an incorrect analysis of the principal contradiction, defeat is inevitable.

Mao Tse-tung pointed out the crucial importance of recognizing friends and enemies in **Analysis of the Classes in Chinese society:**

"Who are our enemies? Who are our friends? This is a question of the first importance of the revolution. The basic reason why all previous revolutionary struggles in China achieved so little was their failure to unite with real friends in order to attack real enemies. A revolutionary party is the guide of the masses, and no revolution ever succeeds when the revolutionary party leads them astray. To ensure that we will definitely achieve success in our revolution and will not lead the masses astray, we must pay attention to uniting with our real friends in order to attack our real enemies."

Mao Tse-tung wrote this in 1926; during the course of the Chinese revolution his words were underscored a hundred-fold. When opportunists of a right or 'left' variety dominated the party, enormous and brutal slaughter resulted from the defeats suffered. Only by correctly understanding the question of who were friends and who were enemies were errors rectified and the correct path for the revolution established.

With the vivid examples of the revolutionary struggles around the world, Canadian Marxist-Leninists cannot fail to grasp the importance of the question of correctly determining the principal contradiction.

Contribution of the Red Star Collective on the Political Economy of Canada

This pamphlet on the principal contradiction has its origins in our attempt to concretize our lines in response to the publication of **Canadian Revolution** and the beginnings of the national debate amongst Marxist-Leninists. Initially we saw this as merely a summing up of our unity, but our inability to do this revealed to us the backward and amateurish nature of our group. We had assumed agreement, particularly on the question of the principal contradiction, when there was in fact little clarity on what exactly our position was. Since that time the RSC has progressed from a study group to become a politial collective aand 'consensus' has been replaced with struggle over political line and the method of criticism, self-criticism. Development of our position on the principal contradiction has continued both because our early historical studies, although unconsolidated, led us to have major disagreements with lines being put forward within the movement on this queston and because we saw it as key to the building of a Marxist-Leninist revolutionary strategy for Canada.

In the process of our work on the principal contradiction, we had to overcome several obstacles. Initially our methods were ridden with empiricism, and self-criticism was necessary for us to rectify this style of work and the analysis it produced. At first the correction of this right opportunist error was hindered by a defeatist attitude, one which saw the task of developing a position as being 'too big' to deal with. We were also held back by the 'leftist' error of some comrades who felt that the only question that we should deal with was 'methods of party building'. They failed to see the importance of the determination of the principal contradiction and its contribution to the struggle for unity amongst Canadian Marxist-Leninists. However, with self-criticism, our work continued. Our growth from study group to collective, along with advancement of the national debate on the principal contradiction, made clearer the necessity of and the specific contribution our group could offer.

This paper is primarily an economic analysis, one aimed at analysing the fundamental nature of the Canadian economy, at establishing the basis for the Canadian bourgeoisie's existence and their relationship to imperialism. We have done an historical analysis of the Canadian political economy and in so doing have resolved questions and seeming conflicts in analysis which cannot be understood with only a study of the contemporary Canadian situation.

When we began our work we tended towards a view of the Canadian bourgeoisie as comprador and to form the principal contradiction as one existing between the Canadian proletariat and its allies and US imperialism. We now recognize this as being wrong. Our work has substantiated the view of an indigenous Canadian bourgeoisie in alliance with US imperialism; the two in opposition to the Canadian proletariat.

While we think our paper is a significant contribution to the debate on the principal contradiction, one which points out some of the errors of and insufficiencies of other positions on this question, we do not pretend it is the definitive word. Many questions remain unanswered. Most notably, this paper does not offer a complete class analysis of Canada. Mao Tse-tung pointed out that **"to distinguish real friends from real enemies, we must make a general analysis of the economic status of the various classes in Chinese society and of their respective attitudes towards the revolution." [Analysis of the Classes in Chinese Society]** We see this as extremely important and as something which has yet to be addressed sufficiently by Canadian Marxist-Leninists. This present effort is confined primarily to examining the Canadian bourgeoisie. Within this framework it has been possible to tackle the important questions under debate within the Marxist-Leninist movement - is there an alliance between the Canadian bourgeoisie and U.S. imperialism? and, is Canada an imperialist country?

We have not taken up the specific personal links between capital and the state, instead concerning ourselves with the general relationship. Nor have we taken up the question of contradictions between the federal and provincial governments or between the monopoly and non-monopoly capitalists. These and other matters remain to be dealt with.

We hope that the work we have done will be subjected to thorough study and criticism by comrades in the movement as well as friends of the movement. We look forward to the struggle to develop unity on the question of the principal contradiction.

Statement on the Principal Contradiction

At the present time major errors are being made in the analysis of the principal contradiction in Canada. Attempts have been made at a 'concrete analysis of concrete contradictions' but these have been superficial, interpreting surface phenomena from an anti-historical perspective and even this has been done poorly. (A good example of a bad example is provided by the former Workers Unity Toronto whose article "Imperialism and Canadian Political Economy" was printed in Volume 1, Numbers 1 & 2 of **Canadian Revolution.** For a basically correct Marxist-Leninist critique of this article we refer the reader to "Reply to Imperialism and Canadian Political Economy" by Workers Unity Collective (Edmonton) in Vol. 1, No. 3 of **CR.)**

Our research has enabled us to base our line on a foundation which reflects the real situation. Rather than putting forward what we **"believe"** and what we **"think"** (as do CCL-ML. See their pamphlet **For the Unity of Marxist-Leninists,** page 32), we have done research and substantiated our position on the basis of concrete analysis.

An historical analysis makes clear the particular development of Canada and the way in which its political economy has taken shape in the era of imperialism. Canada, a second world country, is primarily an imperialized country. The nation state developed as a colony and moved from being an extension of Britain to become dominated by the United States. **[1]**

Despite this history of domination, an indigenous bourgeoisie did develop with a grip on specific sectors of the economy, servicing imperialism in specific ways. While US imperialism controls key sectors of the economy, the Canadian bourgeoisie has maintained its hold on merchant's capital and transportation **[2],** For lack of a more appropriate description, we therefore refer to this class in Canada as the merchant-transportation bourgeoisie.

It is crucial to the understanding of Canadian political economy to fully grasp the relationship which exists in Canada between these sectors.

Marx analyses and describes this relationship in **Capital,** Vol. 3, where he points out that the commercial and banking sectors of the economy do not produce surplus value and they require an industrial base from which comes their profits. Marx broke merchants capital into two forms - commmercial and money dealing capital; neither of them , he says, create surplus value. The profits of both types of capital are a portion of the surplus value produced by productive capital. The commercial and banking sectors serve the surplus value producing sectors either by loaning capital or by buying and selling of goods. In the case of loans, the interest is paid from the surplus value created in the productive industrial sectors. In the commercial sectors, the goods are bought at a price below their value and sold by the commercial capitalist at their value. The profit to the commercial capitalist comes from the surplus value. Both the industrial capitalist and the commercial capitalist realize a profit. The industrial capitalists are willing to sell the goods to the commercial capitalist below their value in return for the ability to have their capital free to go back into production and into making more surplus value, rather than being tied up waiting for the commodities to be sold.

The commercial and banking sectors are totally dependent on the surplus value producing sectors for their survival. It is important that this sector exist and thrive. The commercial and banking bourgeoisie will do everything in its power to protect its own interests and it will also protect the interests of the surplus value producing sectors on which it depends.

Unlike merchants capital, transportation is productive capital. Marx describes the transportation industry as follows:

"The transportation industry forms, on the one hand an independent branch of production and thus a separate sphere of investment of productive capital. On the other hand, its distinguishing feature is that it appears as a continuation of a process of production within **the process of circulation** for **the process of circulation." (Capital,** Vol. 2, p. 155)

In Canada, the transportation sector depends on the existence of the largely foreign-owned industrial and resource-extraction sectors of the economy. While it is true that these sectors are also dependent on the transportation industry, the fact remains that there is a division of ownership between them.

Between the Canadian and US bourgeoisies a 'division of labour' exists in the exploitation of the proletariat and resources of Canada. US direct investment in Canada is centred in industry and gives the US control of resource extraction and manufacturing. The Canadian bourgeoisie has reaped benefits from the internal involvement of US imperialism by servicing its investments through Canadian commerical, banking and transport interests. At the same time, the Canadian bourgeoisie has vigilantly protected its investments, as can be seen in the banking laws and their response to foreign investment in this area. Throughout our history, the Canadian bourgeoisie has actively solicited foreign investment in those areas of the economy in which it is not based. As we show in our historical analysis, foreign capital has allowed the Canadian bourgeoisie to profitably exist outside of industrial investment, while ensuring that industry, the basis of a capitalist economy, develops in Canada.

Foreign capital has been essential to the economic development of Canada and with it has come the impact of the interests of a foreign bourgeoisie. In this century, with the ascension of US direct capital over British portfolio capital in Canada, foreign investment has become even more closely connected to foreign control.

Canada has become an economic colony of the US, not by the wresting of state power from Canadian hands, but through an 'alliance' between the Canadian bourgeoisie and US imperialism. The Canadian bourgeoisie has pursued its own interests in a way which has aided the US in extending their interests to the point of controlling the industrial base of Canada.

We use the word 'alliance' to refer to the compatible interests of these two bourgeoisies and their mutual aid in plundering the Canadian working class. But the term must be qualified, for it does not represent an alliance between partners of equal strength. The US is a superpower of enormous economic and military power, while the Canadian bourgeoisie is small and weak by comparison, playing host to imperialist intervention.

But, while restricting and determining the framework within which the Canadian ruling class operates, the US imperialists do not seek state power for themselves. This is not to say that comprador elements do not exist and have influence on the state, ie. that US imperialists are without direct influence. But, it is not necessary for the imperialists to dominate the state themselves in order for their interests to be promoted. They are able to function profitably in Canada with a friendly bourgeoisie, one whose interests are wedded to their own.

The fact that state control rests largely in the hands of the Canadian bourgeoisie gives rise to conflicts between the bourgeoisies. The Canadians have a strong interest in maintaining power and hence in maintaining economic and political stability. The Americans are concerned with stability only as it affects their profits and not as it-affects the political aspirations of various governments. But, these are conflicts of specific interests, not conflicts over the basic alliance between the two. In all questions of fundamental concern to it, the interests of the US are upheld. At a point when US interests are fundamentally threatened, as will happen with proletarian revolution, the US will militarily intervene. (Their readiness to intervene was exposed during the October Crisis of 1970.)

Not to see the alliance between the Canadian bourgeoisie and US imperialism; that is, not to formulate the principal contradiction as the Canadian bourgeoisie and US imperialism vs. the Canadian proletariat, is a critical right error. It leads to a misunderstanding of the interests of the Canadian bourgeoisie, a failure to recognize that they have no interests in opposing the system of US imperialism. **[4]**

From the failure to recognize the alliance between the Canadian bourgeoisie and US imperialism, two errors follow. The first one is to support the Canadian bourgeoisie in its alleged attempts to assert its independence. CCL-ML extended this to support for the strengthening of the Canadian bourgeoisie's armed forces to fight imperialism. In reality, because the bourgeoisie will not oppose US imperialism, this is really support only for further strengthening the bourgeoisie's ability to repress the proletariat.

CCL-.ML, in its January 20, 1977 issue of **The Forge** has self-criticized for its **"right opportunist errors of conciliation and tailing behind the bourgeoisie."** Then they go on to say that **"the articles where [these errors] appeared contained mainly correct positions."** On one hand they state that **"There is no question of counting on the Canadian bourgeoisie nor of making an alliance with it if our country is attacked by one of the super powers".** But on the other hand they uphold their basic, analysis which sees a growing ambition for independence on the part of the Canadian bourgeoisie and they continue to place US imperialism in opposition to **"the entire Canadian people which is composed of other social classes and strata".** Thus the League claims the Canadian bourgeoisie has conflicts of basic class interest with US imperialism, but denounces the idea of allying with the Canadian bourgeoisie to defeat imperialism. Surely, if such conflicts exist and the League still maintains that they do, it would be foolhardy not to utilize them in the face of a superpower attack. Because the League has not altered the incorrect basis of their analysis, ie. they still see contention and not alliance as the dominant aspect of the relationship between the Canadian and US bourgeoisies - their staunch call of 'no alliance' is an appeal to revolutionary purity rather than a strategy based on class analysis.

It is in underestimating the role of US imperialism that the second error is made. This is to overestimate the strength and the threat of the Soviet Union in Canada. While we must recognize that the USSR is the most dangerous of the superpowers and the gravest threat to provoking world war, this does not automatically mean that the USSR is a major threat to Canadian sovereignity. To overlook the fact that Canada long ago lost economic sovereignity to the US and to rail on about the USSR in Canada, is evidence of an extremely mechanistic equating of the international and national contradictions.

Again, it is CCL-ML that exemplifies this error. They claim that **"tomorrow, they [the** USSR] **could well launch a direct attack on Quebec!"** The complete muddle of their analysis is evident in **The Forge** of November 18/76 ("American Imperialism") where they state that in Canada the US is weakening, the Canadian bourgeoisie is strengthening and the USSR is **"claiming the throne for itself".** These statements show a failure to understand that where Canada is concerned, the US has already won hegemony and in fact by controlling key sectors of the economy and through its alliance with the Canadian bourgeoisie, acts as an **internal** force in Canada. The world situation would have to be radically altered before the US was so weak that the USSR would be a serious contender in our country.

Rather than do a concrete analysis of concrete conditions, CCL-ML refuses to recognize the possibility of alliance between the bourgeoisies in their exploitation of Canada. On the basis that Canada is a second world country the League dogmatically asserts that, therefore, alliance with US imperialism is not possible. They consider that to recognize this alliance is to **"underestimate the role of the Canadian bourgeoisie as an enemy of the proletariat".** (Statement of Political Unity of the CCL-ML, page 51) In fact, with illusions of the Canadian bourgeoisie's desire for independence, and by placing US imperialism in contradiction with the whole Canadian people, it is they who underestimate the enemy.

If this line is implemented as the revolutionary strategy guiding the proletariat, the results will be disasterous. By failing to see the US as an internal factor which will respond **immediately** to any attempt to unseat the Canadian bourgeoisie from state power, the League seriously underestimates the forces which will be rallied to oppose the revolutionary armed forces. The proletarian forces would be slaughtered by an enemy they had not even expected to arrive on the scene.

The League line also would lead to neglecting the importance of winning support of the American proletariat to sabotage the US offensive. The proletarian forces could not take advantage of the anti-imperialist sentiment of such patriotic allies as small independent capitalists and petty-bourgeois elements if the proletarian struggle were not directly and immediately aimed at defeating US imperialism in Canada. These patriotic forces, despite their vacillating nature, could be useful allies to the proletarian cause.

The League line would reduce the proletariat's strength and underestimate the enemy, thereby creating hardships and defeats for the people to bear.

The League's errors are most blatant, but In Struggle! is taking steps towards this incorrect position. Recently, in their Dec. 20/76 issue of In Struggle!, they have changed their position on the principal contradiction. They now formulate it as, **"The one opposing the Canadian proletariat to the Canadian bourgeoisie"** However, in this same article they still speak of the alliance between the Canadian bourgeoisie and US imperialism^ While we see this new position as a step backwards, the implications for revolutionary strategy that they will suggest, as a result of this change in their line, have not het been put forward. We would urge them not to go further down the path of rightist errors, but to rectify their erroneous analysis.

Like CCL-ML, IS! also considers the Canadian bourgeoisie to be imperialist. They go so far as to state that imperialism **"is the principal aspect"** of Canada's role internationally. **(Proletarian Unity,** Dec/76, page 35) This is incorrect. But where CCL-ML uses its view of 'Canadian imperialism' as a starting point for their errors on the role of US imperialism in Canada, IS! more correctly assesses the effect of US imperialism in Canada. IS! says that **"Such an alliance [between US imperialism and the Canadian bourgeoisie - RSC] has most important consequences as far as the tasks of the proletariat are concerned, and the strategy which should be developed". [Proletarian Unity,** Dec/76, page 35]

We see the recognition of US imperialism's alliance with the Canadian bourgeoisie and the fact that the US is an internal contradiction in Canada, as the central points which determine strategy. (At present IS!'s formulation of the principal contradiction excludes US imperialism as an internal enemy in Canada, as the central points which determine strategy. (At present IS!'s formulation of the principal contradiction excludes US imperialism as part of an internal contradiction.) The question of 'Canadian imperial-

Only by correctly summing up the relationship between the bourgeoisies and their opposition to the Canadian proletariat; that is, by recognizing the alliance between the Canadian bourgeoisie and US imperialism, can Canadian Marxist-Leninists start to build a correct revolutionary strategy.

The Question of Canadian Imperialism

It is widely accepted within the movement to-day that Canada is an imperialist country. This is the view held by the two national groups as well as by many smaller ones.

We have found in putting forward our position (that Canada is **not** an imperialist country), that the immediate response is to accuse us of failing to see that Canada has reached the monopoly stage of capitalism. To .us this indicates the superficiality and dogmatism with which this question has been dealt.

It is not a matter of whether or not Canada has reached the monopoly stage of capitalism. We know of no Marxist-Leninists (and few non Marxist-Leninists) who would claim that Canada has not. What is in question is who controls the monopolies.And even this question is posed only to reach a more basic one - what is the fundamental nature of the Canadian political economy? By this we mean, what is necessary for the existence of present-day capitalism in Canada?

If Canada were an imperialist country, then its economy would be dominated by a concern with external capital investments and the return from those investments. Canada would seek out natural resources from other countries to supply its burgeoning industry. It would be actively building up its military might to maintain economic and/or political control of those countries it dominated and to carve out more territory for itself.

But this is not the case. The Canadian economy is geared towards primary industry to supply the imperialist centre with resources. Canadian political and economic policy are forced to confrom to the needs of US imperialism. Canada is a country of the second world whose primary characteristic is not that it is imperialist but that it is 'bullied' by the US superpower.

In stating this, we do not claim that Canada has no investments outside its own borders.- What we do say is that the economic life of Canada is not determined by these investments. Much more crucial to Canada is the amount of foreign investment inside the country.

The dogmatists (and here CCL-ML has a place of honour) have tried to mold and push Canada into what they conceive of as Lenin's definition of an imperialist country. Putting aside the fact that Lenin was describing the era and not creating a criteria for individual countries, the 'analysis' still fails. It rests too much on particular situations which do not represent the general pattern. **[5]** Emphasis is placed on only those aspects of the Canadian situation that serve the purpose.

The energy devoted to 'proving' that Canada is an imperialist country could better be spent trying to understand the actual effects of imperialism in Canada. It is not a moral question, but one of strategy. If we are to create a party which can lead the proletariat to victory, we must correctly assess the nature of our enemy and that enemy's strengths and weaknesses. This will not be possible unless we can understand the workings of the political economy - its real characterisics and not those attributed to it by dogmatists fond of relying only on phrases and slogans. To this end we earnestly ask that analysis of Canada be approached from the perspective of discovering what is primary, rather than elevating what is of relatively minor significance to the level of determining factor.

In the analysis that follows, we outline some of the early history of Canada, in order to understand its evolution and the specific manner in which Canada has developed in the era of imperialism.

In their Statement of Political Agreement for the Creation of the CCL-ML it is stated:

"A **common error among bourgeois economists, which is also made by some Marxist-Leninists, is to consider these and other leading Canadian bourgeois as merchant capitalists. This conception is based on a very extensive definition of merchant capital [which includes capital invested in banks, transport, etc.] and ignores, it seems, monopolism. Marx long ago warned against such a bourgeois notion, '...mining, agriculture, cattle-raising, manufacturing, transport ... are sidelines of industrial capital occassioned by the division of labour, and hence, different spheres of investment.' Marx thus clearly indicated that capital invested in railroads, maritime transport and mining is industrial, not merchant capital. Even at the time of Confederation, merchant's capital was on the way out as the dominant form of capital - around the world and in Canada too. To say that today, more than a century after imperialist development, that merchants's capital is still dominant in Canada flies in the face of reality and the laws of capitalist development." [page 32]**

This quote from the League embodies a number of errors, some of which we will deal with here and others which we have answered more extensively in the historical analysis section of this paper.

First, we would point out that the League has taken this quote from Marx entirely out of context, both from the context of **Capital** and from its historical context. Marx was not arguing that because transportation was industrial capital, that this implied certain things of the bourgeoisie.

and that not to recognize this was, **"it would seem",** to ignore monopolism, as the League suggests. Marx was stating that transportation was part of industrial capitalism because it is productive capital, (ie. it contributes to the value of a commodity), whereas merchant, or trading capital, is not productive capital.

Footnotes

[1] We are using 'imperialized' to describe a colony's position [economically, politically, culturally, etc.] in relation to the imperialist center.

[2] **At one time (inconversation) we suggested to comrades from MREQ that the Canadian bourgeoisie was dominant in trading'and transportation sectors only and was therefore a 'mercantilist' bourgeoisie. They correctly pointed out that this was wrong. However, their reasons were unsound and hence they do not deal with the real issues.**

When we suggested to the comrades from MREQ that the Canadian bourgeoisie was mercantilist, we were wrong because we did not acknowledge the productive nature of transportation capital and were using the term mercantilist too loosely and extensively. Mercantilist refers only to trading capital which includes banking capital, but does not include productive transportation capital. But our analysis was not fundamentally in error. The Canadian bourgeoisie is dominant in the mercantile and transportation sectors, and only those sectors, and this is important in understanding the reality of the Canadian situation. That foreign capital, and hence a foreign state, dominates almost all sectors of the economy which produce surplus value, is not to be ignored. Quoting Marx on the semantics of the argument, while forcing us to be more precise in our analysis, should not be used as a smokescreen for avoiding this question. Obviously the historical situation was not the same as that of Canada. Marx was not even taking up the issue of foreign domination, but was referring to the fully integrated English bourgeoisie which controlled all sectors of the English economy.

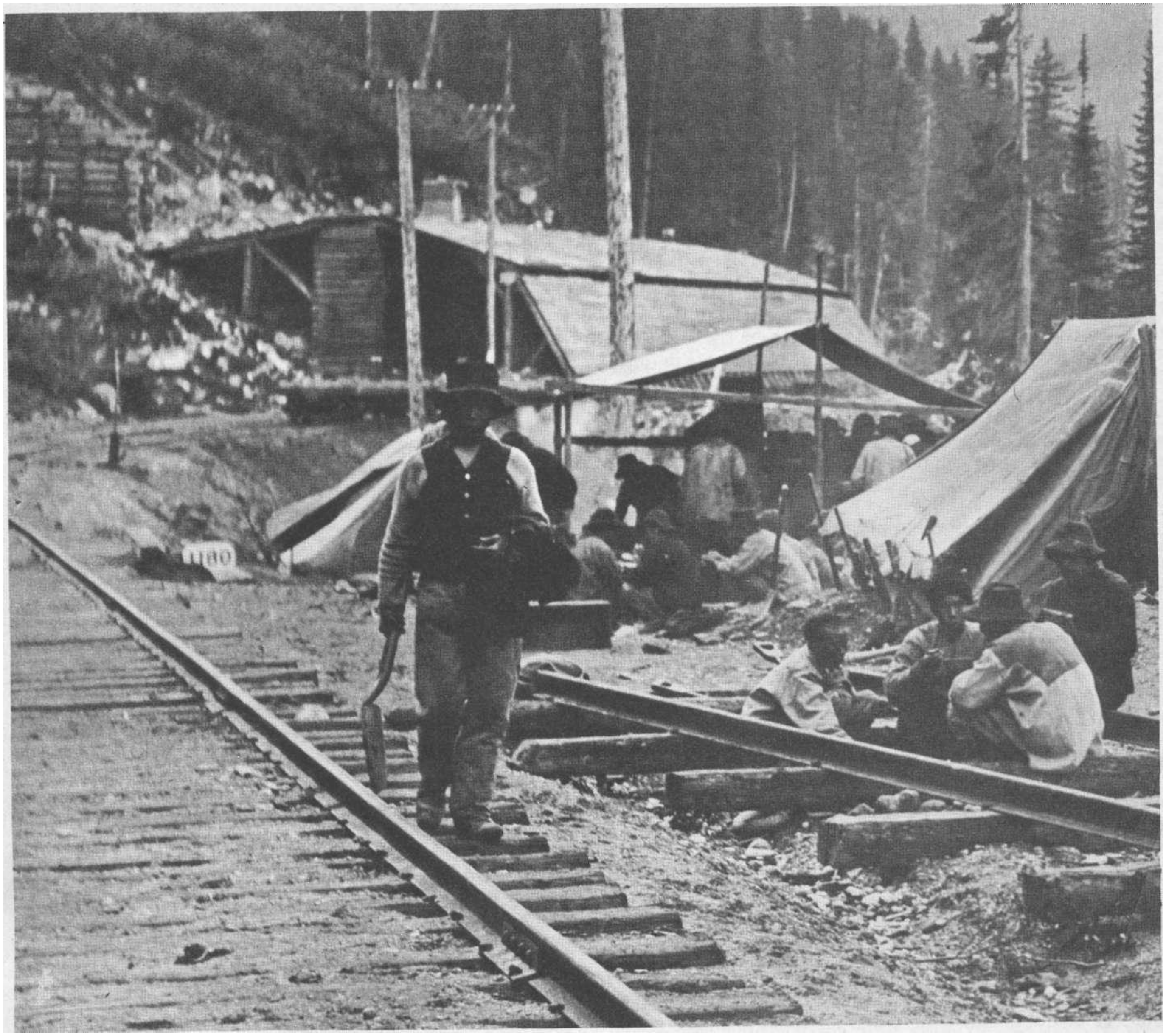
The League tries to discredit the analysis that points out the distorted development of the Canadian economy and the restricted interests of the Canadian bourgeoisie, by attempting to equate it with ignoring monopolies. We find it difficult to deal with this argument for the sole reason that the CCL-ML **offers no substantiation to their rather underhanded claim. We state simply that there can be no question among Marxist-Leninists in Canada, that Canada has reached the monopoly stage of production.**

CCL-ML **in the passage quoted above suggests that someone is saying** "...that merchant's capital is still dominant in Canada...". **We would be interested to know who it is that is holding such a position. If they interpret this as our argument, they have misunderstood. Our point is precisely that the Canadian bourgeoisie** does not **have control of those parts of the economy which determine its development. It is US imperialism which dominates the Canadian economy.**

[3] **We refer to Canada as an 'economic colony' to distinguish it both from economically and politically independent countries, and from colonies ruled directly by an imperialist power or by a comprador/puppet government. In** Caricature of Marxism **Lenin advances this possibility of nominal political independence for a country while it remains economically dominated.**

[4] We are speaking here of the dominant sector of the Canadian bourgeoisie. There are, of course, the Eric Kierans' within the bourgeoisie, but they are not a dominant force within the state. The error being made within the ML movement has been to see Trudeau and other leading representatives of the state acting in the interest of a sector of the Canadian bourgeoisie which seeks independence from US imperialism. In this erroneous analysis, Canadian trade agreements with the 'eec for example are mistakenly interpreted as an indication of the Canadian bourgeoisie's aspirations for independence. We take up the question in more detail further on.

[5] **In their** Statement, CCL-ML **lists off almost every large Canadian company as if they were representative of industry in Canada in general.**



Chinese work crew on the CPR, 1889

Chapterl The Development o Capitalism in Canada and the United State

"Our Dogmatists are lazy-bones. They refuse to undertake any painstaking study of concrete things, they regard general truths as emerging out of the void, they turn them into purely abstract unfathomable formulas, and thereby completely deny and reverse the normal sequence by which man comes to know thruth. Nor do they understand the interconnection of the two processes in cognition - from the particular to the general and then from the general to the particular. They understand nothing of the Marxist theory of knowledge. [On Contradiction, Mao Tse-tung]

What follows is an examination and analysis of the historical conditions that motivated the ruling class to follow the course they did, and what the meaning of the current situation is. We will briefly compare the developments in the southern North American colonies (later to become the U.S.A.) with the northern North American colonies (later to become Canada) and examine the conditions which caused one to become an independent industrial country (later to become an imperialist country) and the other to remain a staple trading colony of Britain (later to become an economic colony of the U.S.A.).

The 'discovery' of North America was followed by the radical alteration of the lives and social relations of the indigenous peoples. The European conquerors set about to use the Indians for purposes of profit through the fur trade. The population which occupied North America at the time of arrival of the European imperialists was extremely limited, but was sufficient to supply the labour requirements of the fur traders. In fact, it was the small population that made the lucrative trade possible. A large population making greater use of the available land through farming, etc., would have reduced the area available to the fur traders. For that very reason - the potential threat to wildlife - leading fur traders long resisted plans for colonization. Through the fur trade the most brutal forms of repression and human slaughter were inflicted on the Indians, thus further reducing the indigenous population.

Unlike the fur trade, however, capitalist development necessitates a large labour force. In industrializing countries the peoples were being forcibly proletarianized: uprooted from their traditional lives of farming and handicrafts, and forced into towns and factories. In colonized countries, for example India, the conquerers brought with them bourgeois property relations that changed the economic and political conditions of the population. Despite fierce resistance the populations became chained to the means of production in a capitalist system of relations.

But this was only possible where the necessary human material for exploitation existed. In a few places, such as North America, Australia and New Zealand, the indigenous population was not nearly large enough to provide for the new and specialized requirements of commerce and industry. In these particular cases, the prolonged struggle to convert them into proletarians was not worth the effort, so they were summarily herded out of the way into concentration camps called reservations, and the required proletarians were imported from abroad. **[1]**

In consequence of these conditions facing the invading imperialists, labour became an essential part of the export of capital from Europe to the New World. Included in this mass migration were the social components that go into the making of a middle class - petty traders, members of the professions, and members of the managerial class. As a result of this historical situation, the part of North America outside of Quebec became much more of an extension of England than a colony in the sense of a conquered and subjugated native population. It was this material condition that determined the character of Canadian Confederation and the American Revolution.

What was later to become part of the USA was at that time separate colonies that were incorporated into Britain's world empire. The ruling classes of these colonial possessions were composed of administrative representatives of the imperial bourgeoisie and directors of the large merchant companies. There also evolved local bourgeois and petty bourgeois groups, the members of which engaged in foreign trade and the production of staples for sale in Europe. Plantation owners who relied on slaves as a solution for their labour force requirements, produced staples - mainly cotton, indigo and tobacco for export to England, the main centre of manufacturing in the world. There was virtually no manufacturing during the colonial period, and even well into the republican era.

The actual working population was composed of free labour (mostly skilled artisans lured to the New World with assisted passage and an assortment of inducements); indentured servants (recruited from debtor's jails and the ranks of minor criminals, all of them forcibly deported to the colonies and less than half a step removed from slavery); and slaves (mainly black Africans forced into service chiefly by the plantation owners). The merchant class of New England accumulated large amounts of capital out of the trade in slaves and indentured servants.

The War of 1776

There began to develop in New England a conflict of interest between the dominant section of the imperialist bourgeoisie on the one hand and the merchants, plantation owners and manufacturing capitalists on the other. This conflict became increasingly antagonistic as time went on.

The antagonism was rooted in the conditions existing in the colonies. Principally there were three major bourgeois sectors arising in the Thirteen Colonies; the powerful plantation owners in the south, a small industrial bourgeoisie arising from handicrafts in the areas such as Pennsylvania, and a vigourous merchant class in New England. It was a coalition of these forces that emerged as the ruling class out of the War of Independence in 1776.

In the southern areas, due to the fertility of the soil, once the forests were cleared, the land was used to grow valuable industrial crops for export to Britain. The success of agriculture depended on two things: large tracts of land and ample cheap labour. Labour was supplied to the plantation owners mainly by the use of African slaves. However, the extension of land demanded by the agricultural pursuits of the planters ran **directly contrary** to the desire of the imperial ruling class, as we shall see.

In the northern colonies were the merchants of Boston and other seaports. They too were in conflict with the imperial interests. In the beginning their demands were not so much for independence, as for the right to operate and enjoy the same rights as merchants in England. Exporting and importing operations in the colonies were restricted to the Royal charter companies. These companies, controlled in Britain, enjoyed the privileges of monopoly and the protection of the Crown.

In view of the situation, it is an error to see the ensuing conflict as an uprising of a conquered and colonized people against a foreign imperialism. In fact, New England, as the name implies, was more like an extension of England than a colony. What took place was the revolt of a new bourgeois class against the ruling class that had been restored in England under the constitutional monarchy.

The Tory or aristocratic bourgeoisie in England was far-sighted enough to recognize the potential threat that the developing Anglo-American bourgeoisie posed for their continued rule. To that extent, the Tories resisted the cries for expansion voiced by the colonial bourgeoisie. They reasoned that the colonial bourgeoisie could be held in check by the continued presence of the French in North America. That this was their strategy was witnessed in the earlier part of the eighteenth century when the British imperialists actually returned to the French, lands bordering on the Thirteen Colonies which they had taken away from the French in war.

However, the clash of British and French interests in other areas of the world led to armed conflict by the middle of the eighteenth century. The colonial merchants pressed for complete expulsion of the French. This was largely realized by 1760. British forces succeeded in capturing the Canadas from the French At that time the Canadas included not only those territories now in Canada, but they also extended south along the Mississippi, excluding Louisiana.

Despite the victory over the trench, the imperial class in Britian was reluctant to allow the American colonies to expand. The Tory elements, in fact, seriously considered returning conquered territories to the French. In the end the Treaty of Paris of 1763 formally surrendered the French territories to Britian. British charter monopolies were granted rights in these territories. The monopolies were solely interested in the fur trade with the natives. For this reason, settlement by Anglo-American colonists beyond the Alleghennies was prohibited. The stage was now cleared for the settling of accounts between the Anglo-American bourgeoisie and the imperial bourgeoisie in London.

The conflict ended in an extensive, yet partial, victory for the coalition of New England merchants and southern plantation owners. They established their rule over the Thirteen Colonies - with the southerners politically dominant. But victory was partial because the northernmost colonies remained in British hands. The rebellious merchants made an effort to include the northern colonies in the republican cause, the revolutionary army being repulsed only after it had reached the very walls of Quebec City.

The close of the War of 1776 saw the Thirteen Colonies at the beginning of a process of evolution toward a federated republic - the United States of America. This new republic achieved political independence but remained economically dominated by Britain. The ruling class continued in the role of merchant capitalists, producers of staples for the European market and importers of manufactured goods. They were dependent on Britain for investment capital and were in a situation of debtor nation. This remained substantially the case for nearly four decades after the victory of the revolutionary army.

British North America

The northern colonies (later to become Canada) continued on as separate entities, both politically and economically dependent on Britain. The success that attended the rebel cause in the Thirteen Colonies, and the failure to extend it into the Canadas, resulted in a strengthening of British influence in the northern colonies, and was crucial to the shaping of their destiny as a nation.

These colonies differed substantially from the American colonies to the south. The American war of independence broke out just thirteen years after the conquest of the French colonies by Britain. The colony of New France under French rule did not develop in the same way as the British colonies. Feudal relations were strongly entrenched in the colony and land usage was largely predicated on feudal customs. The northern colonies, in general, had less population not only due to the less favourable climatic conditions and the feudal structures, but primarily due to their economic pursuits. From eariest times the colonies were a source of fur, timber and fish. These required minimal population. As a result when the British took over from the French the leading merchant class was dependent upon their imperial connections and rallied more closely around the imperialist centre than was the case in the American colonies. This pro-imperialist attitude was nourished and fortified by the influx of thousands of tory, pro-British merchants, refugees from the victorious revolution to the south and opportunists seeking free land made available by .the expulsion of French landowners.

While a crucial aspect of the continuing French presence was unquestionably the Quebec people's will to survive, the desire was in no small measure aided and abetted by the imperialists, who recognized that a continuing French presence, in a restricted form of course, would be viewed as a threat by the Anglophones, causing them to rely on the imperial power for support.

The British colonial policy of dividing in order to rule consolidated differences in the colonies that were carried into Confederaton as regional disparities and conflict of interest and outlook. The tory refugees had sectional interests and sufficient political influence to force the imperial government to split the Province of Nova Scotia, establishing the Province of New Brunswick where most of the refugees resided. Other divisions consisted of the French, the Chateau Clique in Montreal, the Family Compact in Upper Canada, and diverse groups in the Pacific region.

The War of 1812 - American Merchants Forced to Industrialize

The exercise of political independence did not bring about any immediate significant change in the economic base of the former colonies. New England merchants and southern planters remained dependent upon England in particular and Europe in general as markets for their primary products and for supplies of manufactured goods. A mere handful of small-scale industrial capitalists in the middle states, not far removed from simple cottage industry, were but a minor factor in the economy. Dependence upon British capital was almost total. And this state of dependency continued for more than four decades after the end of the revolutionary war.

The first Napoleonic War in Europe set the stage for the War of 1812 in North America between the British and the Americans. On the European continent Napoleon attempted to gain dominance and was opposed by the Russian, Austrian and British imperialists. During the early stages of the conflict American merchants enjoyed a profitable trade with both sides despite harassment from both Britain and France. The war in North America was sparked by the British blockade of the continent in 1807. Britain used its naval superiority to deprive Napoleon of essential supplies. The blockade, directed at the American merchants, disturbed American prosperity and threw the economy into confusion. On the other hand, the Southern planters continued to export their products to Britain - their major market - without interruption. This conflict of interest within the United States between the planters and the soon-to-be industrialists of the north was unresolved until the American Civil War.

The effect of the War of 1812 was that American capitalists were compelled to divert their energies toward internal trade and production, which aggravated current problems but redounded to the eventual advancement of industry and the accumulation of wealth. American capitalists, forced by the circumstances of war, turned from mercantile pursuits and became transformed into industrial capitalists. Woodrow Wilson, in his **History of the American People** remarked on the way in which New England merchants sold their ships in order to raise capital for investment in industrial production.

Although they remained economically dependent on Britain until the era of the first world war, the American capitalists had begun to lay the foundation for economic independence to go with their political independence, and started them on their way to big power status.

War of 1812 Increased Canadian Dependence

Although the war against Napoleon placed additional burdens on the Canadian provinces, the ruling merchant class in the Canadas was not moved to oppose the imperialist interests of Britain. During the War of 1812 the Provinces became bases for British forces whose needs sustained a demand for Canadian products. In addition army bills played an important role as a dependable currency. But more important was the prevailing prosperity that Canadians experienced from war conditions, while the Americans on the other hand suffered reverses. For Canada the stimulus to trade and production was immense, while the States suffered the loss of foreign trade, which had long been the country's most prominent business interest.

Thus the capitalists in the Canadian Provinces, delighted with the profits accruing from the imperial connection, pursued policies that resulted in the strengthening of foreign domination, first from Britain and then by the United States as Britain's imperial glory faded and America rose to become the pre-eminent world power.

Development of Canada

Canada, under both France and Britian, developed as a resource colony. Shore settlements were established as a direct result of the cod fisheries, and from these bases developed the fur trade. As the fur trade declined in importance and economic worth, trade in timber developed.

From the beginning, trade in staples constituted the economic life-blood of the country. The staples trade was concentrated in the hands of leading British mercantilists, organized chiefly in the Hudsons Bay Company, which held a government granted and protected trade monopoly over a vast expanse of North America. This British connection was fortified by British law and British capital exports, and consequently promoted continuation of the trade in staples and British economic and political control over Canada.

A Montreal group, organized as the North West Company, attempted to challenge the British based monopoly and was ultimately swallowed up in a merger with the HBC. This merger further assured British control over Montreal capitalist operations.

Resource development and trade in staples did not require a large labour force. Because of this there were no pressures for population growth. Canada, in many ways, became a staging area for immigration into the US. Tens of thousands of immigrants to Canada, failing to find employment in Canada's limited industry, passed on to the developing and labour-demanding manufacturing industry in the Republic. A domestic consumer market was never created. This lack o market, in turn, served only to strengthen the reluctance o the colonial capitalists, engaged in resource development am trade in staples, to get into manufacturing industry. Again the situation developed in a manner favourable for maturin| American capitalism and unfavourable for development o industrial production in Canada.

The first banks were dominated by British financiers, whi headed such wholly-owned British banks as the Bank o British North America and the Bank of British Columbia (no to be confused with the present Bankof BC). The financia firm of the Baring brothers and the Glyn, Mills compan were the dominant British influence in these early Canadiai banks. Separate mercantile capitalist elites in Upper Canada, Lower Canada and Nova Scotia were in close association witl and dependent upon the British bankers.

Banks were established in Canada for the purpose ol facilitating capital movement and the flow of commodities and to ensure control of both. The banks were definitelj commercial in character, being set up by fur traders anil others of the commercial fraternity. The Bank of Montreal was promoted by fur traders and importers of dry goods, the Bank of New Brunswick, the Quebec Bank and the Ottawa Bank by timber merchants, the Bank of Hamilton by merchants in the dry goods trade, the Bank of Toronto got going on the initiative of grain dealers, the Dominion Bank had railwaymen and bill brokers as its promoters and the Bank of Nova Scotia was the special creation of a class of small merchants. [2]

It was not until 1822 that the Canadian banking systen was brought under a legal framework. In that year bant charters were issued by the legislature for each of the three principal banks'in Lower Canada. Incorporation of the Ban! of Montreal was proclaimed in July 1822, and that of both the Quebec Bank and the Bank of Canada in November of the same year. Charters were much sought after for the protection and access to government business that thej offered, but financial capitalists were still privileged to operate banks without benefit of charter for some time after. The Canadian banks were commercial, ie. trading, institutions engaged in controlling the flow of commodities, h addition, the Canadian banks played an important role in gold speculation and call loans on the US money market. [3] This flow of money from Canada to the United States affected the economies of both countries.

"By about 1857 or a little later the Bank of Montreal was larger than any American bank and probably the largest and most powerful transactor in the New York money market, where it maintained and employed immense sums. This raised the criticism that the bank, by taking Canada's previous funds abroad to deal with foreigners in Wall Street, was neglecting the domestic borrowers and the Provinces' interest. It was sacrificing Canada to the States. Canadian business and farming struggled as best it could with insufficient credit, America prospered and Canadian bankers so far from redressing the balance worsened it." [4]

Canadian commerical bankers, in hot pursuit of a quick and sure profit, retarded domestic development by draining off much needed capital and assisted American industrial development by placing the capital at the service of American manufacturing capitalists. [5] US capitalists, on the other hand, with their interests yoked to manufacturing industry, were concerned with retaining capital at home and attracting as much foreign investment as possible. US banks were forbidden by law to operate abroad until 1913, by which time American industry was firmly established and the banks went into foreign operations in order to facilitate the flow of essential raw materials to supply US factories and maintain industrial production.

Even at this early stage in Canadian history, we can observe a number of crucial factors, political and economic, that determined the development of Canada. Chief among these and the main determinant was the failure of the northern colonies to achieve political independence from Britain, and the inability of the American rebels to seize them during their Revolutionary War or later in the War of 1812. The merchant capitalists adapted themselves to the needs and policies of the imperial centre and sought to profit from the relationship. This attitude was reinforced by the extensive inflow of pro-British mercantile capitalists fleeing the victorious American rebels.

The dominant British capitalists enforced policies designed to maintain Canada as a resource colony and a supplier of staple goods. Britain's war with France and the embargo against the Thirteen Colonies were the conditions which compelled American capitalists to turn away from mercantile pursuits and towards manufacturing industry; these also resulted in the Canadian provinces becoming more closely tied to imperial London. Political and economic dependence was reinforced by Britain's age-old policy of 'divide and rule'. Regional and racial differences and conflicts were utilized to the fullest extent in the interest of perpetuating British rule. And as the American republic grew stronger this, too, was employed as an instrument to keep Canada close to Britian.

Although still dependent on foreign, chiefly British capital until early in the twentieth century, the American capitalists had succeeded in laying the foundations for economic independence in the War of 1812 while the Canadian economy, influenced by Britain's expanding market for Canadian staples and services, remained retarded and concentrated in resource development and trade in staples. The economic and political power of the US industrial capitalists gained strength, especially after the defeat of the planter and slave-owning class in the Civil War, following which the manufacturing capitalists consolidated their class rule and expanded their authority across the continent.

Development of an Infrastructure

The strength of the expanding US economy proved to be a most attractive investment proposition in the eyes of Canadian bankers, with the result that Canada was drained of much needed capital for industrial development, capital which went instead to aid in strengthening the US economy, and placing it in a more favourable situation in relation to the Canadian economy. Even British capital passed more abundantly to the US market than it did to Canada.

The staples trade required an infrastructure for the handling of staple products and their movement to market. This became increasingly important as the trade in staples extended ever farther inland and especially with the development of the grain trade. Canada's commercial capitalists were also engaged in competition with US commercial interests for control over the movement of grain from the American midwest to England and Europe. A system of costly canals, and, later, railroads, was necessary for this purpose. The commercial capitalists of both Upper and Lower Canada, despite their economic interest in having the canals, were not attracted to the risky long-term investments represented in canal construction, while more attractive investment propositions lurked south of the border.

Some US capital was attracted to the Welland Canal project, but by 1836, the private entrepreneurs were unable to meet operating costs and the government moved in. By 1840 public involvement in the canal amounted to over $1 million and the debt kept on growing. The government made a move toward putting the responsibility back into the hands of the private promoters who immediately opted out of all responsibility, leaving the whole mess in the hands of the government - that is, the people had to foot the bill. The canal was 'nationalized' , not in the interests of the people, but in the service of the bourgeoisie.

Extreme difficulties had been encountered in the raising of capital. The project seemed to be a dubious investment at best and the Rebellions of 1837, which saw a petty bourgeois initiative go down to defeat, had completely undermined Canadian credit in the British capital market. In order to restore confidence in the economy a decision was taken to spread the public debt over a wider base. To this end an Act of Union was passed through the imperial parliament, resulting in the union of debt-ridden Upper Canada (Ontario) with nearly debt-free Lower Canada (Quebec). Current and potential British holders of Canadian debentures were thereby assured of repayment and confidence in Canadian securities was restored. The canal situation had:

1) Introduced the first major **direct** foreign investment in Canada in the person of the J B Yates Company of Albany.

2) Involved leading private bankers in Britain in Canadian financial affairs. Naylor in **The History of Canadian Business,** Vol. 1, comments that, **"...All British capital destined for Canada for three decades after union came via the Barings and the Glyns, who stood in much the same relationship to the Canadian Finance Ministers as did the Bank of England to the Chancellor of the Exchequer." [page** 21]

3) Established the pattern of financing long term investment abroad while Canadian interests continued to focus on short-term investment.

4) Provided the primary impetus for the union of Upper and Lower Canada. The government, acting in the interests of the merchant-banker ruling class, initiated a union of the Canadas into the Province of Canada as a means of financing the infrastructure, especially canal construction, which served the merchants, but which the merchants themselves were not prepared to pay for.

Canal construction continued with increased vigour after the Act of Union, but the hour was already late. The Corn Laws, through which western US and Canadian grain shipped from Canada had received preferential entry to the British market, were repealed in 1846 and with them went the advantage of the St. Lawrence route in the shipment of western grain.

In order to restore the diminishing profits of the canal system, to further the search for resources which could be traded to Britain and the US, as well as to protect Canadian commercial interests from possible encroachment on the part of rampant American industrial expansion, there arose a crucial need for railways which would penetrate into the heart of the staples producing hinterland. With great agility the state moved from the financing of canals to the promotion of railways, as a further service to the transportation needs of the merchant class. The Guarantee Act of 1849 committed the government to a policy of subsidizing one-half of the cost of railway construction, thereby guaranteeing the enrichment of foreign capitalists and Canadian politicians and merchants. Myers, in the **History of Canadian Wealth,** says,

"The prime and first consideration of railway ownership was the ability to get legislation giving certain definte rights and privileges. This legislation conferred what was called a charter of incorporation. Having the power, as the legislative politicians did, to grant themselves these charters, it was not an astonishing outcome that the promoters should have so

often been the politicians themselves. This was particularly so in as much as many of the politicians, then so-called, were not politicians in the sense that they exclusively followed politics. Not a few of them were landowners of considerable holdings, and it was not a far step for them to promote railways, the operation of which would increase the value of their timber and other lands. Other members of parliament were traders, merchants or shippers, as well as land speculators, and had a personal and immediate interest in bringing about modern methods of transportation. Still other members of parliament were lawyers, who were either connected with landed or trading families, or who were often themselves interested in capitalist undertakings or aspired to become so." [page 153]

The Province of Canada guarenteed the securities of special railway companies, ie. those in which leading government members had an interest, such as Francis Hincks and A.T. Gait. Prominent amongst the railways was the Grand Trunk (GTR) controlled by London financiers with Baring and Glvn on its London Board of Directors and nine cabinet ministers on the Canadian Board, together with Bank of Montreal representation.

Total railroad mileage in Canada in 1850 was 66 miles. By 1859 mileage totalled 2,093, with over half of it under Grand Trunk control.

In 1851 the Barings, now exercising enormous power in Canada, demanded that the government pass legislation to the effect that public debt would not be increased without first consulting Barings and Glyn. To force their demand they caused suspension of quotations of Canadian securities on the London Exchange. By 1860 the public debt to Barrings alone was nearly $2 million. Despite their ability to sacrifice public funds for the benefit of the merchant bankers' infrastructure, the Canadian ruling class was clearly operating within the framework established by the British investors.

Confederation

By 1863 Canadian investments in US bonds approximated $50 million. The Bank of Upper Canada, the Commercial Bank, and the Bank of Montreal, took over the financing of western crop movements from the US banks, which resulted in capital being drained from Canada, particularly Ontario, to the support of US ventures, and to the distinct disadvantage of the Canadian economy. There was established a triangle of investment, starting with British portfolio investment in Canada, while Canadian merchant-bankers used their caoital to speculate in commodities and gold in the US and American banks stayed at home financing industrial development. But Canadian bankers promoted economic stagnation in Canada by draining off funds required for industrial development and using them in commercial pursuits. In 1850 Canadian manufacturing, including small shops organized on handi-craft lines, accounted for a mere 18 percent of the Gross National Product.

That part of Canadian industry that did develop along capitalist lines, as opposed to simple handicraft industry, was largely dependent on American technology and sometimes American capital and management. The government played an active role in the promotion of US technology through the legislation of patent acts, the first of which was enacted in 1849.

Sawmills were the first industry to be established on clear capitalist lines. Half of the 18 percent that manufacturing contributed to the 1850 GNP was the result of products from sawmills and grist mills, i.e. from primary processing only. [6] Railway demand for lumber resulted in a change from square to sawn timber and in the process provided the base for the restructuring of the industry. But the mills were mostly the result of American capital investment and technology. Thus, while Canadian commercial interests inadvertently promoted the industrialization of the sawmills in the process of creating a transportation network, the mills stayed capital poor and dependent on US technology and capital.

Despite an enormous giveaway program, the GTR was on the verge of bankruptcy by 1857. A.T. Gait, who was both minister of revenue and on the Board of GTR, increased tariffs on imports in an effort to raise the funds required to meet railway debts. Gait was explicit in stating that the measure was designed to appease British investors. Three years later a report informed the English shareholders of the extent of 'mismanagement' on the part of the Canadian Board and this led to the complete reorganization of the railway in 1862, with headquarters being transferred from Canada to London so that the British bond holders might more directly exert their authority.

The American Civil War saved Canadian merchants from experiencing financial disaster. The Montreal merchants were able to take advantage of the closure of the Mississippi route to direct commodity shipments through the St. Lawrence. But fear of US invasion of Canada caused Canadian securities to lose ground in London. With the end of hostilities Canada lost its advantage in the US and the securities failed to regain their former level in Britain. The Barings and Glyn financial establishments provided interim financing while the Bank of Montreal, which also provided some financing, joined with the English bankers in calling for the federation of the British North American colonies. This was a repetition of the demand for the Act of Union in 1840, with a similar objective in mind - spreading the debt over a wider base and among a larger population.

Commercial circles .in Montreal and Toronto brought the scheme to maturity in the Province of Canada, while railroad and banking interests in New Brunswick and Nova Scotia manipulated successfully to bring their provinces into Confederation. Canadian credit was restored in Britain. When the Confederation resolutions reached London, Canadian securities rose from 71 to 75 on the British financial market, and when the resolutions were published in the London papers the securities rose again, from 75 to 92.

In 1861 Edward Watkin, a Barings financial expert who had been sent out to investigate the GTR mess, provided a reason for Confederation other than a broadened credit base. He contended that traffic was insufficient to maintain the railway and the only hope of making the road profitable was to make it a transcontinental line. In accordance with this] proposal the GTR promoters took a controlling interest in the Hudsons Bay Company to secure commercial interests in the west. Written into the BNA Act was a clause providing for a start of construction on an intercolonial railway within six months of Confederation. East-West trade was encouraged by the removal of intercolonial tariffs, which also contributed to the establishment of a national market.

Two other motives for the building of a transcontinental railway consisted of concern over possible penetration by the j Americans who were pushing railroads northward into the Canadian West, and the desire to make Canada a 'land bridge' to facilitate trade between Europe and the Orient in j the era before construction of the Panama Canal. When j finally completed, the railway along with the CPR Empress *i* ships shaved nine days off the time necessary for the passage of mail between the two points and the movement of spices and luxury goods such as silk became more profitable.

The essence of the BNA Act was the placing of financial control in the hands of the merchant-transportation capital- • ists. The central government had authority over major revenue sources - indirect taxation and tariffs. The provinces were left with direct taxation, at that time tied to land, and consequently not particularly remunerative, and were bolstered by a meagre per capita subsidy from the Federal government to the Provincial governments.

The Federal government controlled currency and banking and assumed the debts of the provinces. This enabled the state to finance the transportation schemes of its members at public expense. Centralizing the public debts of the provinces also improved the country's credit rating in Britain. As well, the central government took unto itself the power to veto Provincial legislation.

Over half of the Canadian population was engaged in agriculture, lumbering, and fishing at the time of Confederation, and only 13 percent were engaged in handicrafts. Small-scale industry with low capital investment predominated. Clements, in **The Canadian Corporate Elite,** says of the period:

"In 1870 there were 38,898 establishments engaged in manufacturing, employing 181,679 people, or an average of less than 5 persons per establishment." [7]

Confederation did not alter the fundamental economic outlook of Canadian capitalists or the direction of their investment policies. Canadian bankers and financiers continued their interest in short term investments, low risk, fast turnover, and sure profit. Direct industrial investment did not appeal to them . The capital for development of Canadian resources and industry had to come from elsewhere, and it was forthcoming in large amounts, from Britain and the US.

By Confederation year Canada had acquired a bond debt to Britain in the amount of $815 million. A major portion of this sum had gone into financing the Canadian transportation and communication infrastructure necessary to the movement of staple goods to distant markets. The US, in the same year, had a total investment of $45 million - rather meagre in comparison to the enormous British investment, but already indicating a crucial difference in the form and type of investment.

British investors concentrated mainly on portfolio investment. Portfolio is investment similar to a loan. It can be paid back and the lender does not carry title of ownership. But *Vs* of the US investment was **direct,** i.e. a form of investment that involved ownership and was not repayable as an interest-bearing loan. Direct investment generates capital within the host country, through the process of creation of surplusvalue. By means of this type of investment the foreign investor can, and does, accumulate capital within the country of the recipient of capital investment, which is then used to expand ownership and invade new fields of endeavour. This pattern of investment has been a consistent thread throughout Canadian history.

There are two basic reasons why US investors were attracted to Canada and chose **direct** over portfolio investment. One outstanding reason was Canada's type of banker-merchant capitalist who was extremely reluctant to become directly involved in long-term industrial investment, and who encouraged the foreign entrepreneur to enter that field, while he concentrated on capital flow and the marketing of staples.

The positive reason for US industrialists wanting to invest in Canada, lay in the direction of the staples, so dear to the hearts of Canada's merchant capitalists. The first inducement that caught the attention of American capitalists was the development of sources of raw materials required to keep American industry running. Timber was an early field for US direct investment, and as newspapers grew in numbers, size, and circulation, the demand for ever increasing quantities of newsprint spelled a growing demand for Canadian pulpwood - a demand which grew greater as US sources declined.

But the American capitalists were concerned only with acquiring materials in the least developed state possible, with processing taking place in the US. Lacking manufacturing industry Canada was experiencing large-scale un employment, despite the fact that vast numbers of workers were emigrating to the United States. Canadian merchants still refused to take the risk of high capital investment necessary for industry. But since the Americans would not set up industry voluntarily, they must be made to do it involuntarily.

The first pressure put on American investors to become interested in establishing a manufacturing industry in Canada was through the Patent Act of 1869, revised in 1872. The Act provided that any patent which was held on an invention by a foreigner would only be protected for three years and it would be nullified after that if the patentee was not manufacturing in Canada. The threat of having the invention stolen if not put into use in three years encouraged the persons (mainly Americans) holding the patent to either lease it to an industrialist in Canada, to set up joint US-Canada industrial ventures in Canada or to emigrate to Canada and begin manufacturing. The result was increased reliance on American technology because the incentive to create indigenous technology was sharply reduced.

In the case of timber, Only Canadian residents were permitted to own land and acquire timber limits. Restrictions were placed on the export of logs, making it more profitable to have the timber at least partially sawn in Canada. The Patent Act made possible the stealing of new and patented processes of milling.

Taken together these factors represented a considerable inducement for the location of sawmills in Canada. American operators began to move into Canada in large numbers. In many cases whole mills were dismantled to be shipped across the border and reassembled on a Canadian site, where the operator, now a resident of Canada, would also be assured of an adequate stand of timber. E.B. Eddy, a name well known in the forest products industry, was one such American expatriate, who located in the Ottawa Valley. The policy that promoted foreign ownership of Canadian industry and the foreign domination of the Canadian economy was clearly emerging, and equally clear, it was directly related to the type of capitalist class that ruled in Canada and their extreme reluctance to engage in long-term, high-risk industrial ventures.

Canada became a resource-exporting economy. In this early period the staples were chiefly timber and grain. The staples would increase in number of types and quantity, but the shape of the economy would remain basically the same. The stability of the economy was dependent on the external forces of the world market, or more specifically, on prices in Britain and the United States. As a consequence, the 1873 crisis of overproduction and the drastic decline in prices on the world market, severely affected the prices of Canadian primary products. .

Unemplyment was rampant and causing a serious drain of population, often consisting of skilled workers, to the United States. Between 1870 and 1880 the rate of migration was **minus** 85,000, and the rate of business failures, particularly in retail trade, was three times the rate experienced in the States. No financial wizardry, such as that contained in the Confederation scheme, could alter the course of events, and one consequence of the depression was the electoral defeat of the 'low tariff Liberal government, and its replacement in 1879 with the 'National Policy' Conservatives with their high tariffs to create revenue and protect 'Canadian' industry.

The National Policy

The so-called 'National Policy' was the natural child of the particular Canadian situation. High tariffs, of course, are normal in a country with a budding manufacturing industry. The tariffs are applied with a view towards encouraging a rising bourgeoisie, and to give protection from competition to the infant enterprises.

But the Canadian result was radically different. The tariffs were aimed at suiting the needs of the merchants. For merchants need goods to be produced and people to produce them and buy them. They do not, however, need to invest in industry themselves if they can induce others to do so. The tariffs were not aimed at protecting industry already established in Canada, but at encouraging companies, foreign companies, to jump the tariff walls and begin manufacturing in Canada.

Branch plants were the solution to the nation's ills! They would provide factories, without the necessity of banking money being invested in such high risk ventures, and thereby produce the commodities for the merchants to mediate, and create jobs to stop the flow of labour to the US.

In the campaign of 1878, Sir John A. MacDonald claimed that protection would bring 30,000 skilled workers into the country to man the new industrial enterprises. [8] And a leading Tory in the Commons debate on March 28, 1879 contended that,

"Protection ... would secure the influx of a large amount of foreign capital for manufacturing purposes that would never reach us as long as our present Free-Trade tariff exists."

A Tory Senator in the Senate debate of May 2, echoed the sentiments voiced in the Commons, when he declared,

"To secure the success of manufactures we must endeavour to encourage the manufacturers and capitalists of Great Britain and the United States to establish workshops in the Dominion."

The journal of the bankers and merchants, Monetary Times, on March 7, 1879 reported that,

"The possibility of tariff increases was noted by American industrialists, who let it be known that if the increase was sufficient, they would make the move,"

The Liberal Party opposed the National Policy because its electoral base was in agriculture. The farmers wanted free entry to the U.S. market for their produce, and cheap agricultural implements. Tariffs meant difficulty of entry to the U.S. market and increasing prices for implements. At that point, according to Naylor, "the best criticism the Liberal Party could mount was that foreign investment 'will come in anyway for it came into the country before we had the tariff "

So far as the Liberal argument that foreign investment would "come in anyway" is concerned, it is true to a very limited extent. American industrialists would enter Canada in order to obtain those commodities, mostly raw materials, that they needed and could not acquire in sufficient quantities at home. But, as is evident in the timber trade, they would limit processing to the amount absolutely necessary to facilitating transportation to the U.S. based mills. The forest could not be moved, so the trees has to be felled in Canada, sawn into manageable lengths, and sometimes made into squared timbers ready for the mill.

Such a policy could produce only a minimum of industrialization, and a minimum number ofjobs. In order to realize a greater degree of industrialization, compulsion had to be employed, and that was done in the application of the export tax on logs. This policy, in fact, constituted what might be called a forerunner and miniature of the later 'National Policy'. The Liberals, after all, were opposed to the National Policy only to the extent that it appeared to be harming the interests of their agricultural base. But the Americans were not naturally inclined to do what the Canadian banking fraternity wanted them to do - establish industrial plants in Canada - so compulsion had to be used. And in this regard the National Policy, and later tariff policies of a similar vintage, must be viewed as successful efforts. The authors Marshall, Southard and Taylor, in "Canadian-American Industry: A Study on Internationa Investment" say,

"...Attention may be called to the great increase in numbers after the change in tariff policy in 1879. More than half of our recorded cases [of branch plant construction -ed.J came in the period 1879-1883..." [page 13]

In this period, prior to 1900, there can be no doubt about the availability of an abundance of capital with which to operate. It has been pointed out above how Canadian bankers were draining off capital to finance their operations abroad.

An editorial in the Monetary Times of December 4, 1874, boasted that Canadian banks in New York were getting a large share of the sterling exchange business, and that if they continued to show the same rate of progess they would in ten years largely control the exchange business. The same thing was occuring in Chicago and San Francisco.

Much of the British portfolio investment coming into the country was being siphoned off to finance the speculations of bankers and merchants, and aften returning to Canada in the form of American direct investment. The employment of portfolio capital could have been crucial in this early period, in determining the economic distiny of Canada, since portfolio capital does not convey ownership whereas direct investment does. Had the Canadian merchants and bankers elected to do so, they could have taken the available Canadian capital, increased the amount with portfolio investment obtained in Britain and elsewhere - even in the United States - and applied it to the industrialization of the country. But they concentrated on such banker-merchant economic pursuits as the construction of an infrastructure to serve the movement of staple goods to market; servicing the development of the natural resources; and for speculation in American markets. Indeed, the Canadian ruling class in this period adopted measures expressly designed to **compel** the American capitalists to take control of Canadian resources and manufacturing.

As we can clearly see from the example of the tfmber industry, the Canadian capitalist had ample opportunity and protection to become a successful manufacturing capitalist. The statute restricting land ownership to British citizens guaranteed control over vast and valuable timber stands, at the very time when US needs were growing and resources declining. The American market would assuredly have been available to agressive manufacturing entrepreneurs. And later, when the export duty was imposed on undressed timber, there was still time and opportunity for indigenous capitalists to venture into the field and engage in the manufacturing process. But as we have seen, legislation on these lines was not enacted for the purpose of encouraging native manufacturers. That was done to **force** foreign capitalists to take up the task of developing this important resource.

The bankers continued to be bankers. Canadian financiers chose to concentrate their capital and talents in the field of **financial** capital[9] and the development of infrastructure to serve mainly American industrial ventures.

It was not only in the lumber industry that these decisions were taken at this time. Mining and pulp and paper were two other areas, vital in the early stages of Canada's economic development, where similar policies and attitudes prevailed. These valuable resources were alienated from Canadian control, and passed to American direct investment, in a historical period when similar resources elsewhere, especially in the United States, were being rapidly depleted and demand for them rising.

The pulp and paper industry is an even more dramatic example than lumber, to demonstrate the reluctance of Canadian bankers to enter the field of industrial capital.

During the latter part of the nineteenth century the growth of newspapers and journals, in numbers, size and circulation caused an enormous increase in the demand for newsprint and, consequently, for supplies of pulpwood as the necessary raw material. A large and increasing proportion of the demand originated in the United States.

But even as the demand for newsprint was rising, pulpwood sources were drying up. In the U.S. land was cleared for agricultural use, and, therefore, not being reforested. American paper mills were forced to seek suppliers abroad.

Ontario and Quebec shared enormous forest limits suitable for paper production situated on land mostly unfit for agriculture. Canada stood in a favourable positon to develop an industry, that would supply the newsprint needs of Americans and other countries, and create jobs for thousands of unemployed Canadian workers. All that was needed was the infusion of a bit of capital, of which there was ample available. However, capital was not made available by Canadian bankers for that type of venture.

This combination of reluctance of bankers to invest in industrial development and an adequate supply of raw materials resulted in pulpwood being shipped to U.S. mills from Canada in cordwood lengths, with the wood never having gone through even the very early stages of processing. The cutting was done by part-time workers on piece-work rates, often by farmers as a winter occupation to augment farm income. Capital investment for the project consisted of nothing more than a good axe and a bucksaw, supplied by the independent cutter and putting no strain whatever on banking capital. The bankers and merchants arranged the marketing and transportaion of the materials, realizing a tidy profit at absolutely no financial risk in the process. A happy situation indeed f^r risk-shy bankers.

A storm of protest rose up over the situation, and mounted ever higher as unemployment increased. It was calculated that even partial processsing of raw material would bring thousands of jobs to Canada.

Governments, yielding to pressure and in their own financial interests began to adopt measures designed to alter the situation . Ontario began the process of stimulating local production in 1900, with legislation that banned the export of pulpwood from Crown lands. Ottawa followed the Ontario example in 1907, Quebec falling into line in 1910, New Brunswick in 1911, and British Columbia in 1913. After the United States, under pressure from powerful American press barons, began to admit Canadian produced newsprint duty free in 1911, production in Canada experienced rapid expansion. Large newspapers, such as the New York Times and Chicago Tribune, established their own mills in Canada, and by 1934 a majority of U.S. newsprint requirements were being supplied from Canadian production.

But of course bankers were not enthused by the new legislation to the point of becoming directly involved in industrial production. The 'risk' in capital investment was assumed by US, British, and other interests. By 1933, the Americans alone accounted for upwards of sixty per cent ot Canadian newsprint capacity, and by virtue of being the leading consumers they dominated the market. Canadian bankers were content to handle capital flows, and construct and manage the infrastucture, as they watched the industry •pass almost entirely under foreign control.

Mining in Canada was yet another important sphere of endeavour in the early stages of the country's economic development, and absolutely vital to the long-term interests of the nation. But in this as in all other areas of the economy, the bankers and merchants were totally irrelevant in terms of all-round industrial and economic development. They profited from the alienation of th nation's resources. The vast nickel-copper deposits are a case in point.

As a result of success in efforts to refine the nickel-copper deposits in the Sudbury basin, it became possible to separate the nickel from the copper in the ore. When nickel became a crucial ingredient in the making of superior armour-plating at the turn of the century, the manufacturers became interested in control of supplies of nickel ore, with virtually all of the world's known deposits being in Canada. A consortium of American and British capital, with a minority Canadian interest, gained control of the Sudbury district field. A new company, International Nickel, was formed under financial control of the J.P. Morgan interests and the administrative control of United States Steel Corporation, which had been formed by Morgan.

Until after the end of World War One only matte (concentrated but unrefined nickel-copper) was shipped out, no refining at all being done in Canada. During the war, rumours that the Company was selling nickel produced from Canadian ore to the Central Powers caused a public outcry. By 1916 the government called on International Nickel to refine all **Empire** requirements in Canada, and by 1918 the Port Colborne refinery was brought into operation, and the refining process wholly transferred to Canada in 1922. But rolling mill operations, and other manufacturing processes, research, financing and marketing remained firmly in the grasp of J.P. Morgan interests.

The story is monotonously repeated in silver, lead, zinc, iron ore, and a host of other resource. In every instance the bankers and merchants of Canada refrained from taking the lead in developing abundant Canadian resources as a base for Canadian manufacturing industry.**[10]**

Summary

Contempory views, long on superficial data and extremely short on basic historical analysis, only serve to obscure the true character of Canada's dominant class. Who owns how many shares of what company and how much capital Canadian banks export abroad, are subjects wrung dry in interminable debates but never related to the real role of Canada's capitalist class and the precise relations of US imperialist entrepreneurs with them, or to the Canadian economy. The historical facts detailing these early years of the forming of the Canadian economy should help place the problem in proper perspective.

We have seen that the American merchants gained political independence and extended their authority over a major portion of the continent. They failed, however, to gain control over the Canadian provinces, suffering setbacks in 1775-76 and again in the war of 1812. After the Civil War they were again unsucessful in efforts to extend their political sway northward, being limited to gains in the Pacific Northwest and the Alaskan Panhandle. In the early years the Americans were not strong enough and later, when they did acquire sufficient strength, **economic conquest** was more appropriate to their purpose and better served their cause. In that type of conquest, they had as ardent allies and collaborators, the Canadian ruling class.

American merchants and bankers were no more naturally inclined to engage in manufacture than their Canadian counterparts. But circumstances **forced** the Americans to move in that direction and, in a relaticely short period of time they achieved economic independence to go with their political independence.

But the same circumstances that pushed the Americans in the direction of industrial developments, only served to reinforce the factors that made banking and merchant pursuits appear attractive to Canadian capitalists. The bankers, however, realized that there must be some kind of manufacturing industry in order to provide a stable base for the economy.

The answer to the problem of development was found close at hand. The American manufacturing industry was solidly based on an expanding domestic market and most convenient toCanda. North-south communications were even easier than east-west and there were no language and cultural differences. The Americans were already on the scene with their direct investments of capital, having come voluntarily in pursuit of needed raw mateirals. The easy solution to the problem, at no risk to Canadian banking capital, was to create political conditions that would push United States capitalists into the field of manufacturing industry.

As we have seen, the inital step was the passing of legislation to force the American industrials into at least partial processing of raw materials. Later, pressure was extended into manufacturing as a whole, first by manipulation of the Patent Act, then with the imposition of tariffs, especially from the period of the 'National Policy'. The whole effort was strengthened with the imposition of the Empire preferential tariff system. Canada became an important side-entrance into the Empire markets for the American manufacturers.

American industrial capitalists quickly developed an important financial interest in Canada, and they became strong defenders of protection and the tariff system. It was tariffs that sustained their position in the Empire market system and protected them from competition from smaller American firms that could easily ship processed goods into Canada, but could not afford to jump the tariff wall with branch plants. Branch plant mangers began to sound like ardent nationalists in defence of protection, and in opposition to Canadian supporters of reciprocity and free trade.

A superficial examination of the situation today presents the illusion of a highly developed economy in Canada, in which banking capital has merged in holy wedlock with industrial capital. It is an illusion that is strengthened by our close proximity to the United States, our geographical situation as part of a shared continent, and the similarities in language and culture. Indeed, many circles, strongly influenced by this illusion, basing themselves on much less than an edequate examination and analysis of Canadian historical development and the chaacter and precise role of the ruling class, vigorously advance and defend the viewpoint of Canada as an economically independent capitalist country with highly developed industry, which even has certain imperialist characteristics.

But many ambiguities and contradictions in the Canadian situation, confront those who propogate this superficial view of Canadian political economy. These are usually explained away with references to 'ruling class betrayal of the nation', 'Canada as a puppet of US imperialism', and 'the Canadian capitalist class as a junior partner of American imperialism'. However, the problem is not one of betrayal **but of the particular economic interests of the Canadian ruling class; it is not puppetry but a matter of independent choice on how to devleop the economy of Canada,** a choice which c6ntained with it certain consequences for the capitalists themselves, as well as for the nation as a whole**;nor is it a matter of junior partnership but a division of roles,** both in relation to internal domestic affairs an in operations abroad-operations that are too aften simplistically described as evidences of Canadian imperialism.

Our examination of the early stages of the Canadian economy, as detailed above, when the pattern of economic development was just emerging and in the process of being firmly set in place, clearly demonstates the division of roles between Canadian bankers and American industrialists. Canadian capitalists made a deliberate choice as to the path to be taken in the economic development of Canada, and their own role within that process.

The success of the decision to have U.S. industrial capitalists shoulder the responsibility and risk of investment in a Canadian-based manufacturing industry was made possible by the presence of two crucial factors: the control over the Canadian state held firmly in the grasp of representatives of indigenous bankers and merchants, on the one hand, and, on the other hand, American interest in acquiring access to Canadian natural resources and energy, plus the desire to maintain a position in Empire and domestic Canadian markets.

The Canadian ruling class chose to continue in the role of bankers and merchants, gradually and easily shifting from subservience to British imperialism into a similar relationship with U.S. imperialism. And it was this role as provider of infrastructure and services in the domestic arena, that Canadian capitalists extended abroad, to their own profit and in service to American imperialist interests, thus providing the grounds for accusations of possessing imperialist characteristics.

Given the normal course of capitalist development there would have emerged as a natural consequence, that fusion of banking with industrial capital that Lenin discusses in **Imperialism, The Highest Stage of Capitalism.** And allowed a completely free rein in the matter, American industrialists might well have accomplished that aim, which would have had the inevitable consequence of extending United States **political** domination as Tar as the Polar Seas, thus eliminating any semblance of a politically independent British North American and altering the whole course of North American history.

But a national boundry separates the two classes into distinct national groups, with disparate, yet a mutuality of, economic interests. American capitalists are not about to surrender their economic positions to Canadian bankers nor are the latter interested in acquiring them, and the investment responsibilities and risks that go with them. Hence the involvement of Canadian banks with American industrial capital did not, and could not, represent a merger of Canadian banking capital with U.S.-owned industry in Canada. Those who dogmatically apply Lenin's analysis of imperialism to the. Canadian situation are not dealing with historical and economic reality.

In addressing the question of union between banking capital and industrial enterprise, Lenin described the situation as **"the merging of one with another through the** acquisition of shares, **through the appointment of bank directors to the Supervisory Boards...of industrial and**

commercial enterprises and vice versa." [11] As Workers Unity Collective (Edmonton) have pointed out, establishing that a merger has occured **"would involve identifying the major blocks of capital in the country and demonstrating their interdependence, their real functional interlocks."** [12] [13]

United States branch plants represent an extension of American industry into Canada, and it should be evident that Canadian banks do not control the industrial might of the US - if they did it would be an event of enormous significance, and, while there is substantial evidence to show that they might like to accomplish it, American industrial capitalists do not control nor do they have significant influence over the Canadian banking system and this latter point is of some considerable significance.

The path of development chosen by the ruling class resulted in the formation of a U.S.-dominated, truncated and distorted economy which, so far as the element of actual Canadian control is concerned, is retarded at the point of financial and resource capital, and the marketing of staples. It is a highly vulnerable position with a base in the financial institutions, especially the banks - which are greatly concentrated and highly monopolized. While Canada does not have the largest banking **system** in the world, it does have some of the largest **banks.**

If American capitalists, already dominant in the industrial sector of its economy, stands alone among the western the banks, Canadian capitalists would surrender the last remnants of economic and political autonomy. Strict protection of the banks becomes, therefore, a crucial question of the survival of the class, so that Canada, whose ruling class canvassed and facilitated foreign ownership of the industrial sector of the economy, stands alone among the western capitalist countries as the only country that will not permit serious foreign competition in the financial sector. Even provincial governments suffer severe restrictions in the area of banking ventures, in a measure designed to protect domination by the central provinces. (The Soviet Union, for reasons associated with the special historic development of the Soviet economy, is the only other country that so completely controls its banking system.)

From the foregoing it is evident that the Canadian and the American ruling classes follow economic pursuits that complement one another, in a relationship that contains two aspects, collusion and conflict. **Both** are **directly** involved in an association that has as its object the exploitation of Canada, its resources and its working people. It is an association within which the Canadian bourgeoisie performs a particular political function in addition to their special and specific role in the economy. What that particular role, function, and relationship mean in terms of the principal contradiction will be examined further on. But first a look at some details of the results of ruling class policy in terms of the historic development and present state of the economy.

The Role of the Railways

The National Policy had further significance in the reorientation of the economy and trade patterns internally. It was the ambition of the Montreal and Toronto merchant-bankers to concentrate financial control and manufacturing in the two central provinces, where they would function as profiteering intermediaries in an east-west flow of staples and consumer goods. Brief reference has already been made on how this resulted, on an international level, in a fixed system of staples exporting and the importation of manufactures. Shown also was how the monopolized banking system drained the country of essential funds.

Although the full effects of the policy would not be felt until after 1900, the trend was already firmly established in the 1880's, when the Bank of Montreal absorbed the Maritime Bank and thereafter industry began to experience the dire consequences of Central Canada monopoly control. The significance of this particular takeover resides in the fact that the Bank of Montreal was the strongest representative of commercial interests, whereas a number of Maritime banks had been promoting and investing in industrial ventures. Thus the takeover of these local and independent banks was one manifestation of the dominance of commercial capital over industrial capital in Canada - or at least a manifestation of dominance over capital that had been available for independent industrial development. Naylor describes this Maritime situation and its consequences in the following way:

"The flow of funds was largely from east to west, with the funds undergoing a major transformation between place of origin and place of use. The Maritimes and, to a lesser extent small towns in Ontario, were the Tenders, and the prairie agricultural communities ... were the chief borrowers. Funds that had previously been used in the Maritimes to sustain tha industrial growth that followed the National Policy tariff were now drained west as short-period accomodation to farmers, or lent to the big milling, shipping and grain speculating companies. As the West developed agriculturally as a commercial fiefdom of Montreal and Toronto capital, the Maritimes sagged industrially ..." [14]

The central provinces lay adjacent to the centre of American economic power and branch plants tended to locate there, crowding along the border area, manifesting partiality towards Anglophone Ontario, and contributing considerably to the unbalanced nature of the Canadian industrial establishment. Marshall, Southard and Taylor [15] list 82 branch plants established between 1880 and 1887, 50 of them in Ontario -14 in Windsor alone, with 8 others in Toronto and 8 in Hamilton. Of the remaining 32, 25 were located in Quebec, and there was just one in all of Canada west of Ontario.

The Colonial fragmentation promoted by Britain's 'divide and rule' policy was perpetuated and even further accentuated by the economic imbalance and the nature of the Canadian economy, regional disparities and consequent animosities redounded to the undoubted advantage of all levels and grades of exploiters.

The function of a transcontinental railway was clearly complementary to the National Policy, and as such contributed to regional divisions and controversies. In conjunction with the tariffs and western settlements, the railway was to effect an east-west trading pattern, with the central provinces as the industrial heartland. This was reflected in the rail rates, raw materials being charged less when shipped from west to east, and manufactured goods enjoying the low-rate advantage when shipped from east to west.

Railway financing was aided by enormous government give-aways, in land, money and monopoly rights, the size and nature of which continued to affect Canadian development. When the Manitoba provincial government attempted to undercut the CPR monopoly by developing a system of transportaion more suitable to its needs, the federal government came to the aid of the central power structure by 'disallowing' the legislation and threatening to use armed force if the province persisted in the venture.

Railroads, a- prime endeavour of the Canadian bankers during the final quarter of the 19th century, were specifically designed and promoted to advance the trade in staples, i.e. to further the basic merchant type pursuits of the dominant banker class in Canada. The western grain trade, burgeoning in response to European demands, the market potential for British Columbia resources, the dream of profit to be made from Canada serving as a land bridge between Europe and the Orient, and the need to counter United States threats to dominate the west, were among the many factors that made transcontinental railway construction an attractive prospect, and not least among the attractions was the glorious opportunity for enrichment via land speculation and outright corruption.

But in spite of the enormous cost to Canada, ownership of the railways did not reside in this country. Majority holdings were in Britain whose financiers held 61.8 per cent of the stock, an additional 15 per cent being held in the United States. Canadian stockholders had only 10.5 per cent of the shares. **[16]**

That railroads were not primarily undertaken as an industrial pursuit can be seen in the Dominion Railway Act of 1900 which stated that every railroad receiving national subsidies must use rails 'made in Canada' if they were available "upon terms as favorable as other rails can be obtained". This clause was inserted after the successful lobbying by an American with a large share of the steel industry bounties. **[17]** If the Canadian bourgeoisie was primarily interested in industrial investment it would not care to see foreign companies in the railway industry. On the other hand, once established within Canada, high tariffs and 'made in Canada' legislation would protect American branch plants.

The lack of indigenous investment in and development of industry with a base in Canada's abundant natural resources, was clearly reflected in a United States **direct** investment that amounted to $175 million in 1900 - and this at a time when the U.S. was, on balance, a debtor nation. American portfolio investment was a relatively small $30 million, and British investment demonstrated an entirely different investment pattern which indicated no great interest in ownership of physical assets. British **direct** investment totalled $65 million and portfolio investment $1,000 million. Britain was then still the dominant investor in Canada.

Resources and manufacturing were the prime recipient of direct investment and the resource development policy was the cause of sharp conflict between Canadian bankers and a very weak industrial bourgeoisie. The bankers, anxious for the advantage of low-risk, quick turnover investments, were content with the results of a policy that alienated raw materials, placing them in control of foreign industrial capitalists. Small-scale Canadian manufacturers desired a policy that would encourage secondary manufacture and the processing of Canadian raw materials at home. The American domination of Canadian industry is proof enough of the fact that the bankers won out.

In 1895, 860,000 acres of timber and sixteen lumber mills located in Nova Scotia, were taken over with the aid of capital that originated with the Boston industrialist H.M.Whitney, the same source that founded Dominion Iron and Steel Co. **[18]** In 1899 the US-owned International Paper Co. had possession of 1.6 million acres of timber, with principal location in Quebec. Massive sales and leases of timber lands to British and American firms, arranged through Canadian banks, caused a shortage of pine in Ontario by 1892 and forced a westward expansion. Mining originally supported by British and Canadian capital, by the end of the 19th centry succumbed to a virtual flood of U.S. capital seeking control of vital raw mateirals. The 1878 formation of the Orford Nickel and Copper Co. paved the way for J.P. Morgan's domination of Canadian nickel through the giant Internation Nickel Co., a march only temporarilydisturbed by a brief flurry of competition from the British Mond Co. **/ [19]** US capital loomed large in at least eight of the eleven largest coal mines, and British capital was involved in others.

By 1897 U.S. investment had already taken on the **direct** pattern with concentration in resource extraction and manufacturing which marked its main characteristics throughout history. By 1897 the total of U.S. investment for Canada and Newfoundland was $160 million, (a sum greater than Europe as a whole, and second to Mexico which had $200 million - before Mexico nationalized oil); the investment in railroads was $13 million, utilities - $2 million, petroleum - $6 million, mining - $55 million, agriculture - $18 million, manufacturing - $55 million, and sales organization - $10 million.

The effect of the tariff policy and the influx of foreign investment contributed to undermining smaller Canadian industries which had on hand the accumulated surplus with which to finance investment in Canada, were usually the larger corporations with established markets. Consequently, having the advantage of size, markets and access to the advanced technology of the parent companies, American branch plants represented not just a threat to potential development but also to already established Canadian industry.

THE GROWTH OF BRANCH PLANTS IN CANADA

Year by year figures reflect the acceleration in the branch plant movement under the stimulation of Canadian tariff increases in the years immediately after 1906, and during the periods 1920 to 1922 and 1930 to 1932, as well as the relative deceleration in periods of tariff-making quiesence or of business inactivity:

1900 - 66 existing branch plants
1900 - 13 new branch plants

1901 -10	**1918 - 17**
1902 -12	**1919 -49**
1903 - 12	**1920 -51**
1904 - 14	**1921 -51**
1905 - 13	**1922 -45**
1906 - 18	**1923 -43**
1907 - 19	**1924 -35**
1908 -25	**1925 -41**
1909 -17	**1926 -49**
1910 -26	**1927 -54**
1911 -30	**1928 -56**
1912 -39	**1929 -70**
1913 -25	**1930 -97**
1914 -25	**1931 -91**
1915 -21	**1932 -92**
1916 -34	**1933 -42**
1917 -30	**1934 -34**

Footnotes

[I] We oppose the Bolshevik Union's idealist interpretation of history which maintains that the Amerindians did not become cogs in the capitalist machinery of production for the sole reason that they resisted proletarianization. While their resistance clearly played a role in the reluctance of the bourgeoisie to proletarianize them, the BU view ignores two important points. First, indigenous people in many places, Northamerica being one of the exceptions, were forced to accept proletarianization in spite of fierce resistance. Secondly, the BU view is believable only if one ignores the harsh enslavement, savage oppression and barbarous slaughter during the period of the fur trade.

[2] R.T. Naylor, THE HISTORY OF CANADIAN BUSINESS 1867-1914, Vol. 1, James Lorimer and Co., Toronto, 1975, p. 69

[3] Call loans are loans which do not fall due on a specified date but remain outstanding until recalled by the bank on very short notice.

[4] Bray Hammond, "Banking in Canada before Confederation" in APPROACHES TO CANADIAN ECONOMIC HISTORY, Easterbook and Hammond eds.

[5] The developing industry in Canada, which was in need of capital, was a much higher risk venture. No merchant class was willing to partake in a long-term, high risk investment unless forced to do so as the American merchants were, due to the British boycott against American trade with Europe. However, the American industry was already developed and as a result was a lower risk investment for the Canadian commercial bankers.

[6] R.T. Naylor, Op Cit p. 4

[7] Clements, THE CANADIAN CORPORATE ELITE, Carleton Library, Toronto, 1975, p. 69

[8] The Globe, September 11, 1878

[9] Included in FINANCIAL capital is capital employed in banks, trust companies, insurance and the whole commercial area. FINANCE capital is the merger of industrial and banking capital.

[10] Aluminum is a special area. The actual raw material, bauxite, is found in places far afield and outside of Canada, with the Caribbean area being one of the main sources. It takes four tons of bauxite to produce two tons of the concentrate alumina, which in turn yields one ton of aluminum. Smelting the two tons of alumina into one ton of aluminum requires about 18,000 kilowatt hours of electricty, which is the equivalent of a two-bar electric fire switched on continuously for more than a year. Canada's rivers, a source of cheap hydro-electric energy, was the sole reason why the Philadelphia-based Melons arranged aluminum smelting in Canada. Financial and marketing control of the entire enterprise, and manufacturing is still held by American interests.

[II] Collected Works of Lenin, Vol. 22, p. 220

[12] "A Reply to Imperialism and Canadian Political Economy" printed in CANADIAN REVOLUTION, Vol. 1, No. 4

[13] A good understanding of the true relations that exist between Canadian banks and American investors, both at home and abroad, can be obtained through a reading of John Deverell's FALCONBRIDGE: PORTRAIT OF A CANADIAN MINING MULTINATIONAL

[14] R.J. Naylor, Op Cit, p. 103-104

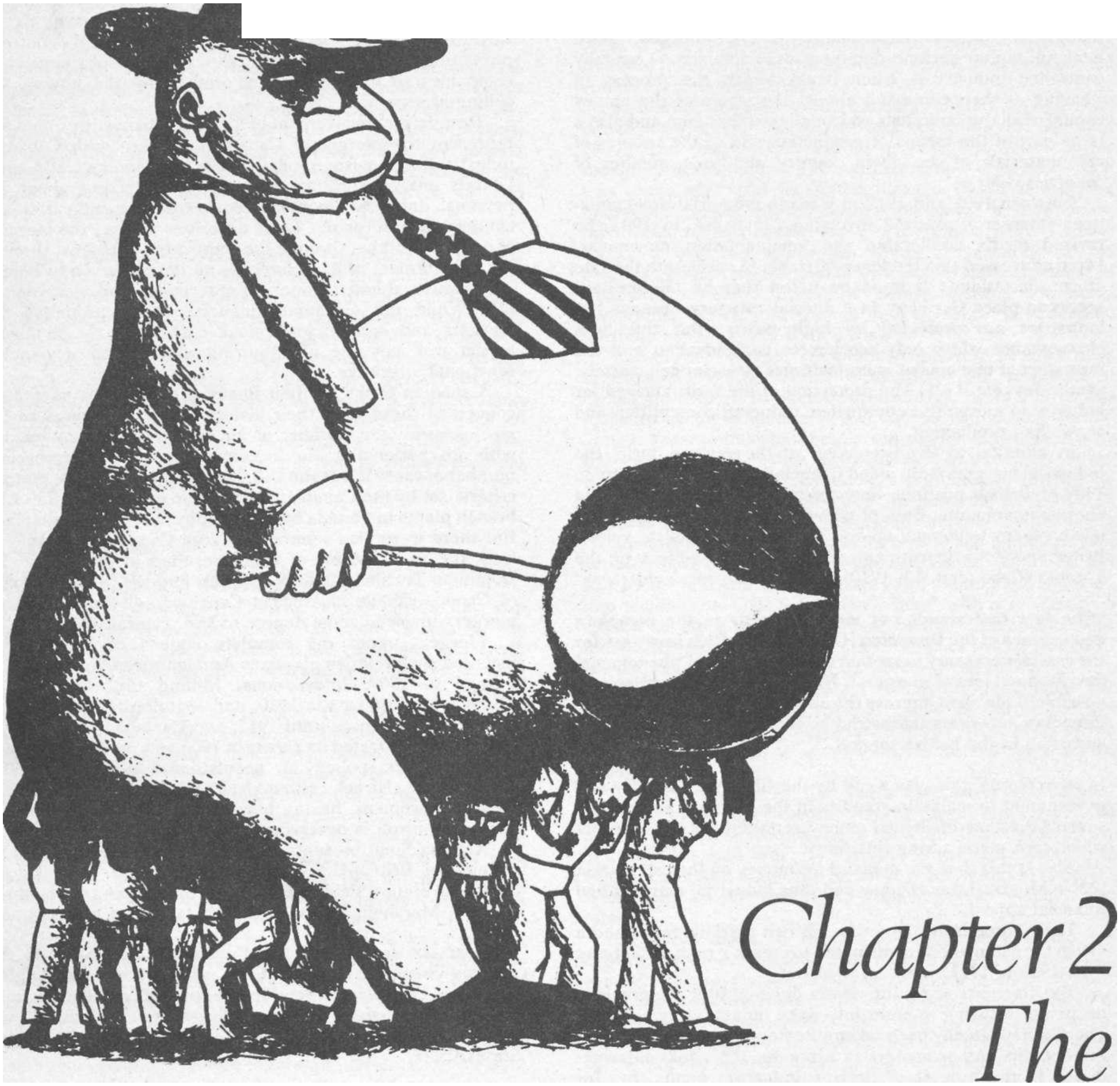
[15] Marshall, Southard and Taylor, CANADIAN—AMERICAN INDUSTRY: A STUDY ON INTERNATIONAL INVESTMENT, Ryerson Press, Toronto, 1936

[16] Ibid, p. 194

[17] M. Wilkins, EMERGENCE OF MULTINATIONAL ENTERPRISE: AMERICAN BUSINESS ABROAD, COLONIAL ERA TO 1914, Harvard University Press, Cambridge, Mass., 1970, p. 143

[18] Naylor, Op Cit, Vol. 2, p. 78

[19] See "International Nickel: the First 50 Years" by O.W. Main in THE EMERGENCE OF MULTINATIONAL ENTERPRISE



Chapter 2
The Canadian Political Economy in the Twentieth Century

The Era of Industrial Mergers

The early 20th century was the period when most monopolies were formed in the capitalist countries. In discussing the classical development of capitalism, this is the time when industry and financial capital merged, when banking capital became dominant over industry -- actually controlled industry -- when banks began the process of "having at their command almost the whole of the money capital of all the capitalists and small business men and also a large part of the means of production and of the sources of raw materials of the given country and in a number of countries. [20]

Between 1901 and 1912 in Canada industrial amalgamations (mergers) occurred involving 275 firms. In 1907 the revised tariffs accelerated the amalgamation movement. Lenin addressed this tendency of tariffs to accelerate the rate of concentration. **"It mast be noted that he [Helferding] seems to place Germany in a special category because her industries are protected by high tariffs. But this is a circumstance which only accelerates concentration and the formation of monopolist manufacturers' associations, cartels, syndicates, etc." [21]** The protection of the tariff allowed for industry to merge thereby further reducing competition and controlling production.

In addition to the protection of the revised tariff the industrial mergers were aided financially by the availability in 1909 of **British portfolio investment** for **industrial bonds** in enormous amounts. This provided the necessary capital for one company to buy out others. The importance of the role of British portfolio investment drew from the editors of the Toronto **Globe** (Jan. 12, 1910) the following comment:

"The fact that stands out most distinctly is the complete dependence of the Dominion [Canada] on British investors for the capital necessary to sustain the current era of phenomenal development [era of mergers]. No other source is available or possible. This must impress the absolute necessity of keeping Canadian securities [industrial bonds] above the shadow of suspicion in the British market."

In other words, this was a call by the **Globe** for industry and government to maintain stability in the economy in. order to sustain the flow of British money required for the mergers which took place during this time.

Also at this time the demand for money on the call market **[22]** in Montreal was at a low and thus industrial mergers had financial appeal.

These three factors — tariffs, British portfolio funds and a low in the call market, contributed to create a rush of mergers from 1909 to 1912.

The financial sector however, did not alter its previous pattern of refusing to enter into risky industrial investment. The risk had already been taken, the financiers merely reaped the benefits. As promoters of mergers, the banks intermediated in the process of floating industrial bonds, by, for example, underwriting. By underwriting the securities, a bank would agree to guarantee to the industry a certain amount of money for the securities, within a period of time. Usually the bank would just buy up the issue and resell at a higher price. The only risk came if the bank could not resell, but in a boom period with ample British portfolio funds available the risk was negligible.

During this period the stock was often 'watered', ie. issued without any real increase in investment occuring. In order to pay dividends on the watered stock the company would raise its commodity prices and squeeze it out of the people. This was possible because the tariff stopped competition from imports. If the instability of the industry forced it to collapse, the financial promoters had made theii bundle and were no longer concerned.

Thus, rather than the banks merging with industry, it was a case of the banks (and other financial outfits such as thf Royal Trust, which was tied closely to the Bank of Montreal promoting the mergers and the creation of joint stocl companies so that they could profit from the buying anc selling of securities.

Despite the involvement of Canadian banks, this does no represent the merger of Canadian banking with Canadiat industry that is wished for by those who dogmatically applj Lenin's analysis of imperialism. When talking about the personal union between the banks and the industrial anc commercial enterprises, Lenin describes this as "the merging of one with another through **the acquisition of shares,** through the appointment of bank directors to the Supervisory Boards ...of industrial and commercial enterprises and vice versa", **[23]** While the Canadian financial sector promoted the mergers and created joint stock companies the dominant aspect was not one of acquiring shares and developing functional interlocks.

Canadian banks, in their financial operations, have been concerned throughout their history with such things as the size, security and stability of an industrial corporation, no! with its nationality. In a considerable, and increasing, number of cases it was the U.S. corporations that best met the criteria set by the Canadian banks. The existence of 339 U.S. branch plants in Canada by 1913, is physical proof of that fact. But there were also some quite large Canadian mergers as well, the most notable of which resulted in the creation of Dominion Textiles, Canada Cement, and the Steel Company of Canada. While classed as Canadian, all three of these mergers involved some degree of U.S. capital. **[24]**

Mergers under the **complete** control of U.S. capital included such relative giants as Amalgamated Asbestos Co., formed in 1909, International Milling Co., founded by Minneapolis interests in 1910, and contuing its acquistion of other Canadian firms until 1912, and Canadian Consolidated Rubber which started its career in 1906 and pursued an active an continuous policy of acquisition through to 1911. International Nickel, although it predated the 1909 era merger movement, having been formed in 1902 under J.P. Morgan control, is deserving of mention.

Algoma Steel presents a more complicated case with its triangle of British-U.S.-Canadian investment. Founded by American emigre Francis Clergue.in the opening years of the century, Marshall, Southard and Taylor say of it:

"By far the largest [of the Canadian steel mills] is the Algoma Steel Corporation Ltd., whose nebulous Anglo-American-Canadian ownership is extremely difficult to track down ... But there is considerable evidence - historical and recent [1936] - that the balance of power lies in the United States." [25]

The list could go on to a considerable length, U.S. control over or at least a portion of the investment involved can be found in almost every major industrial merger of the period. The era of 'phenomenal development', as the **Globe** called it, was largely financed by British portfolio investment, and also often included U.S. capital. The role of the Canadian financial bourgeoisie was one of bringing the companies and the capital together - to their own financial benefit of course.

By 1913 British portfolio investment in Canada was $2,616 million and direct investment $200 million. U.S. direct amounted to $520 million and portfolio $315 million. By 1914, U.S. direct investment had risen to $618 million and in the process Canada had become the leading recipient of this type of American investment. The United States put more direct investment in Canada than in Mexico, or in the whole of Europe. Not only the amount invovlved but the type of investment was unique for a 'developed' country.

"Interestingly, by 1914 certain American corporations were beginning to make both market oriented investments [sales outposts, manufacturing plants and oil refineries] and supply-oriented investments [mines, oil wells and refineries, farms, packing plants, plus purchasing outposts]....The key 'market oriented' investments were in the developed countries in the world and most supply oriented stakes were in less developed areas or in Canada." **[26]**

Thus Canada at this early period possessed the peculiar characteristics of both an industrialized and an underdeveloped country, these characteristics stem from the fact that Canada was an economic colony - a definition which still accurately describes the contemporary Canadian economy.

During the period till this time Canadian development and expansion had been financed by foreign, largely British, capital. From 1900 to 1913 Canadian long-term indebtedness had risen to $2,545 million. The crisis inherent in such an enormous public debt was temporarily averted by the outbreak of war and the end of the flow of British portfolio investment into Canada.

Canadian External Investment

Investment abroad by Canada in this period had two characteristics: 1) outflow of capital from Canada to the United States; and 2) investment in the Caribbean and South American which had the effect of draining capital out of those regions.

Canadian external investment represented economic interests largely similiar to their investments at home. In other words, they didn't direct their investments into high risk industrial enterprises or resource development, but instead into the service industry, into infrastructure, mostly into ventures, which serviced American industrial interests both in the U.S and abroad. Unlike the situation in some countries, the export of Canadian capital did not occur as a response to 'overripe' conditions in the overall internal market **[27]**. This is obvious from the portfolio and direct investment pouring into Canada from Britain and the US.

Canadian investment in the United States was generally oriented towards facilitating the movement of commodities. But investment in South America and the Caribbean, represented a measure of influence in the economy. It stifled development, rather than servicing and aiding it, by either draining capital out of the country into Canada (or the U.S.) or making it available primarily to foreign investors, rather than indigenous investors.

The investments by Canada in the United States consisted of the following: Banks which were established in order to facilitate capital movement and commodity exchange between the U.S. and Canada, to meet Wall Street's-needs for call money and short-term loans, and to deposit in New York for currency speculation; Insurance company branches holding portfolio investments in U.S. utility bonds and stocks; railway extensions and operations concerned with the movement of commodities; direct investment, which represented only a small portion of Canadian investment in the United States.

The years 1875 to 1881 found the Commerce, the Merchants Bank, and the Bank of Montreal operating in Chicago. Together they took over most of the movement of grain. But during the depression of 1886 all except the Bank of Montreal retreated back to Canada. By 1892 they were once again moving back into the States and by 1912 the Bank of Nova Scotia had eight branches there.One branch was involved in financing between twenty-five and fifty per cent of American cotton exports.

In marked contrast to the Canadian situation, American banks were legally restricted from operating abroad until 1913. This ensured that capital remained in the U.S. for industrial development. The southward flow of capital which was encouraged and facilitated through Canadian banking operations in the United States, promoted a north-south integration rather than an east-west movement within Canada itself. It had the additional effect of assisting in the establishment of branch plants with capital that originated in Canada, or with U.S. capital being released for **direct** investment in Canada due to the presence of Canadian **portfolio** capital in the United States.

Railway investment, sometimes consisting of extensions of Canadian railways built to facilitate the shipment of Canadian staples to American industry, attracted a fair measure of the Canadian direct investment in the United States. Toronto investors held some equity in the Twin City Railway Co., and in the St. Paul and Minneapolis Street Railway. By 1893 the Grand Trunk Railway owned one thousand miles of track in the U.S., forming the chief through road for Maine, Michigan, Iowa and Indiana. By 1914, the GTR equity in American lines amounted to $18.6 million, with an additional $4.5 million invested in bonds. The CPR put $55.2 million in U.S. railway stocks and another $26.8 million into bonds. The CNR lagged far behind with a modest $5.5 million in stock and $200,000 in bonds. There were also individual portfolio investments in U.S. railways, the most notable being held by Lord Strathcona of the CPR.

Canadian banks and insurance companies operated in the Caribbean where, unlike their situation in the U.S., they dominated the banking business. Railway investment in the region was designed to serve local traffic and for resource development.

The first banks in the Caribbean were branches of Maritime banks, later absorbed by the Royal. The Royal itself arrived in Cuba in 1899 on the heels of the U.S. victory in the Spanish-American War. By 1910 the Royal had expanded to 19 branches, and under the favourable conditions of the 1913 Reciprocity Treaty, another 13 branches were added to the total.

Canadian banks in Mexico accumulated a surplus of deposits over loans, which meant a drain of capital out of that country. The Royal used its surplus to invest in the New York call market, and the Nova Scotia restricted its loans to trade in staples: the movement of sugar, rum, cocoa and coffee. Canadian investments in Mexico were seriously threatened by the Zapata insurrections against the dictatorship of Diaz, prompting Canadian investors to call for British military protection.

Sun **rife** (close ties to the Bank of Montreal) and Manufactureres' Life dominated the insurance business in the West Indies; Sun Life with 75% and Manufacturers' Life with most of the remaining 25%.

Investment in Latin America was of a similiar character and served the same interests as utilities and railways in Canada. Most of the investment was in the control of CPR and CNR magnates. At first slow, the pace of investment increased following the redivision of the area after the Spanish-American War. Indicating the Canadian inability to offer military protection to its foreign investors, and a consequent tailing behind Britain and the United States, Canadian capital flowed into British and American possessions.

Most of the funds in the **production** of staples were in U.S. control, while Canadian investment went into utilities, railroads and banking. Exceptions to the general pattern occured when the Halifax promoters of the Havana Street Railway formed a tobacco company in Cuba, and Toronto capitalists speculated in fruit plantations.

Interests in Puerto Rico were smaller than in Cuba, consisting mainly of the Puerto Rico Railway Co. and the utility monopoly in San Juan and several other towns. In Trinidad the telephone system was under Canadian control. Montreal financiers were on the board of the Electric Co. of Trinidad, and the same syndicate controlled utilities in Demerara and Kingston.

There were certain peculiarities about these Canadian investments abroad. One is that they were financed largely with British capital, the banks and insurance companies providing interim financing in a manner similiar to their role in the Canadian merger movement. In general these Latin American investments caused a drain on funds from the area of investment, funneling them into Canada or the U.S., and perpetuating a chronic scarcity of capital in Latin America. For Canada it helped to provide earnings to pay interests on debts to Britain.

Canadian external investment didn't occur in response to a general overripeness in the economy. Economic colonization was going on in Canada - which was obvious from the amount of portfolio and direct investment which was pouring into the country at that time - while Canadian external investment was taking place. Canadian investments played largely the same role outside Canada as inside, i.e. they were not primarily industrial investments but were centred in utilities, railways and on the Call Market. Canada, then as now, was in no position to militarily defend its external investments but followed US and British conquests, and serviced their (US and British) interests.

Trade

By 1885, the United States surpassed Britain in the percentage of imports entering Canada. Proximity, similarity in a variety of consumer needs, and the influence of advertising, were important factors in bringing about the change in favour of goods from the U.S. Yet another factor, and one which was growing in importance, was the presence of American branch plants in Canada. Since the parent companies could make the decision (of where the branch plants could import from) these branch plants tended to import from the U.S., thus making a considerable contribution to the switch from British to American imports.

Of special significance is the tariff concerning the import of machinery. Imported machinery for mining and a wide variety of materials 'when imported by manufacturers' for use 'in their own factories' were admitted free of duty. By thus allowing free entry to machinery for use in the importer's factory, there was no need to invest in costly machine production in Canada. The creation of a machine-tool industry was accordingly inhibited, and the import of American technology encouraged. But the tariff on agricultural implements was maintained, thus 'protecting' the Canadian farmers from lower-priced farm equipment.

According to Naylor, **"Canada's import pattern had increasingly shifted towards iron and steel products, coal and petroleum, raw cotton and similar goods in which the** US **had a substantial advantage over Britain." [28]**

Simultaneously with the decrease in British imports, the U.K. market was becoming increasingly important to exports from Canada, both staples and manufactured goods. In this respect the peak of British importance to Canada was in 1900, when 59% of Canada's exports went to Britain and 32% to the U.S. After 1900 the United States began to grow in importance, and by 1913 it was Britain 49% and the U.S. 39%. **[29]**

Because Canadian financiers operated as intermediaries in the flow of trade, a large proportion of apparent Canadian exports were actually re-exports, ie. they were goods that entered Canada from the States and were then trans-shipped to Britain. In 1876, $10 million of Canada's $66 million total exports to Britain were re-exports. Agricultural goods made up 95% of this, which represented about one-third of Canadian agricultural shipments to Britain. In 1881, eleven million of the $42 million in exports to Britain consisted of re-export items. The extent of this re-export was eventually diminished when the West was opened up, and first animal products and then grain became available for export.

Prior to 1890 there had been a Canadian trade deficit with both Britain and the U.S. After 1890 the deficit with the States increased, but a substantial surplus developed in trade with Britain. In the period 1895-1901 the surplus with Britain was large enough to balance the deficit with the U.S. and put Canada in an overall balance of trade surplus.

The use of tariffs by the state naturally, was designed to serve the interests of the ruling class. As previously mentioned, part of the consequences was to encourage regionalism, which paid dividends in commodity traffic flowing east-west and west-east with central Canada as the focal point and the manufacturing heartland of the country. Central Canada contained the majority of both Canadian and branch plant factories, 71.6% of the American branch plants being situated in Southern Ontario, the Montreal area, Winnipeg and Calgary in 1913. In 1926 the percentage of total Canadian net production in Central Canada for certain leading manufacturing industries was:

Pulp and paper	**86%**
Non-ferrous metal smelting	**53%**
Central electric stations	**74%**
Electric apparatus & supplies	**99%**
Automobiles	**100%**
Rubber tires, etc.	**97%**
Machinery	**96%**
Casting and forging	**90%**
Women's clothing	**95%**
Furniture & upholstery	**95%**
Railway rolling stock	**72%**
Hardware and tools	**98%**
Agricultural implements	**97%**
Cigars & cigarettes	**100%**

Cotton yarn & cloth	**89%**
Boots & shoes	**94%**
Rubber footwear	**100%**
Men's clothing	**97%**
Hosiery & knitgoods	**93%**

Source: ***The Economic Background of Dominion-Provincial Relations,*** **page 95.**

Without the tariff the Maritimes would have traded more with Britain and the New England states, the Prairies with the Detroit-Minneapolis region, and British Columbia with Britain, the United States and Japan. But the tariff made imports uncompetititve, force interprovincial patterns of trade and made central Canada the source for manufactured goods.

That the tariffs reflected the economic interests of the ruling class and not those of the people is evident in the protestations of the farmers. Prior to the tariffs being revised upward in 1907, the farmers sent delegations to hearings with specific demands for reductions in the duties on textiles, cement, and farm machinery, and, in general, the elimination of protective tariffs altogether.

A counter-attack against these demands was launched by the Canadian Manufacturers' Association,"which consisted of representatives of both Canadian and American branch plant industries, both having an interest in protection from competition. Results show that the CMA was the more successful in pressuring the government.

The farmers did receive a slight reduction on import duties, ranging up to twenty-five per cent on a variety of items. However, the manufacturers were protected from injury, through an amendment to the tariff act allowing rebates of 99% of the duties on raw materials imported for implement manufacture.

The Farmers' Association of Ontario, in a resolution presented to the Commission prior to passing of the 1907 tariffs, drew attention to the way in which the tariffs encouraged industrial consolidation, and with the mergers came price increases. In 1910, Minister of Labor Mackenzie King proposed the Combines Investigation Act which was nothing more than tokenism ill-disguised since the Minister introduced the legislation explaining that the Act was only intended to prevent 'unfair practices'. Under the Act little occured in the way of investigation, and there was even less action. It existed essentially as a 'dead letter statute' until it was finally annulled.

The year 1911 saw the defeat of the Laurier Liberals, over the issue of reciprocity in U.S.-Canada trading relations. But the election campaign did not represent a simple battle between pro and anti-protectionist Canadians. Aiding the cause of the crusading protectionists, however unwittingly, were the imperialist cries of 'Manifest Destiny* that rang loud and clear across the 'undefended border'. Canadian, or more correctly, British, imperial patriotism was manipulated to the advantage of the protectionists, and reciprocity - and Laurier - was defeated.

There were many ways at the time in which the Canadian state administration was active in serving the ruling-class interests. In words familiar to the editors of the Toronto **Globe,** it was essential that Canada be maintained as a stable investment for British securities, so that the flow of funds would not cease. One way in which this was accomplished can be seen in the Canadian Northern Railway.

Canadian Northern, Grand Trunk, and Grand Trunk Pacific, were all experiencing extreme financial difficulties by 1916, in spite of the fact that between 1903 and 1916, the Dominion Government had contributed:

By direct capital investment	**$248 million**
By loans	**64 million**
By cash subsidy	**47 million**
By guarantee of loans	**134 million**
By land grants	**32 million**

(**Note:** the list includes only **federal** give-aways. It does not include the enormous amounts the railway promoters squeezed out of Provincial and Municipal governments.)

Some railway development was nationalized and out of it was created the Canadian National Railway in 1917. Once again the bourgeoisie was bailed out, even though they had already enriched themselves. The owners were handsomely compensated. Mackenzie and Mann, promoters of the Canadian Northern, received a considerable sum to add to the subsidies, etc., which they had previously managed to rake off. And by paying again for the railways - which the people of Canada had already paid for in so many ways - the government was providing assurances to foreign investors that Canada was a safe place in which to invest funds. Even in the event of bankruptcy and financial catastrophe, the investor could be assured of the safety of his capital, and a 'fair return'. The sanctity and stability of Canadian credit was thus maintained amongst foreign investment circles.

World War I

Armed conflict played a major role in the shaping of North America. The revolutionary war of 1776 secured political independence for the merchants and planters of the thirteen colonies, while the Canadian provinces remained in the embrace of imperial London. The Napoleonic War and the War of 1812, shook the American merchant class out of its economic rut and into the world of industrial development, and once again the Canadians chose to cling to the safety of merchant practices.

The American Civil War, released the northern industrial bourgeoisie from a restrictive partnership with slave-owning planters; consolidated the political power of the new capitalist class; and cleared the way for the conquest of a major portion of the continent. The Spanish-American War lent impetus to the expansion of the industrial and military might of the Americans. Canadian merchant-bankers stood on the sidelines making a safe dollar from trade. •

While memories of the Spanish-American War were still fresh, World War I broke out bringing to American capitalists expanded opportunities for profit. Canada tied as it was to Britain, was committed to the imperialist venture from the very first day of hostilities.

As Europeans fought to re-divide the world, the American capitalists seized the opportunity to advance their own claims to imperial glory by making new direct investments **outside** of Europe, financed largely with the profits realized by trading in the implements and goods needed for the prosecution of war. Foreign investments were directed into areas where previously Europeans had been supreme, such as Central and South America, Canada, and, to a lesser extent, east of Suez. With the exception of Canada, new United States direct investments between 1914 and 1917 were placed in the less developed regions. Canada, of course, was already a traditional area for American investment, with a solid base already established in industrial branch plants and exploitation of natural resources.

At the outset, the Americans, as in the Napoleonic War, attempted to do business with both sides, but circumstances pushed them into the entente camp (Britain, France, Russian & Italy). In any event, Europe was closed to American investment. Even in England, United States enterprises came to a dead stop in many cases, because almost the entire staff had been mobilized for military service. Enormous profits from war, a burgeoning industrial capacity, the closure of Europe to American investments, and Europe's temporary inability to maintain and expand their interests in traditional areas of investment, opened a wide field for investment by enriched United States capitalists. Canada was a leading recipient of new American investment.

America's expanding industrial capacity required the tapping of new sources of raw materials abroad and the development of export markets to absorb surplus consumer goods. An outflow of capital, which at one time could have undermined development of the domestic economy, no longer posed any serious threat, and had even become essential to industrial operations. Accordingly, restrictive banking legislation had been modified before the outbreak of war, permitting United States banks to function in foreign countries.

The mounting demands for war materials and consumer goods, stimulated American capitalist to expand foreign manufactures and holdings. Canada, with its wealth of natural resources, most of them essential to the war effort, and with an already existing solid base of American investment, became a prime target of the United States economic invasion of foreign territory.

While taking an active part in the hostilities on the side of the British imperialists, Canada itself became a victim of American expansionism; expansion of a character that wrought a crucial change in the nature of the economic domination of the country. American **direct** capital - the ownership and control of actual physical assets - replaced no longer available British **portfolio** investment. Naturally there was a great amount of friction in the relationship, but the American presence in Canada was already a well established fact long before the war began. Almost imperceptably, especially since attention was distracted from the local scene to the war in Europe, the United States branch plant activity gained momentum and penetrated new areas of the economy.

Since 1911 there had been no duties to bar Canadian newsprint from the United States. The war-inflated demand for newsprint and all types of paper products, considerably enhanced the value of duty-free passage for these products. Thus from 1914 to 1916, at least four new giant American-owned pulp and paper mills were constructed in Canada, the full production of which the operators planned to ship to the United States.

The military establishments of the Allied forces, especially the naval sectors, were in desperate need of substantial amounts of armour plating, which consumed considerable quantities of nickel in the manufacturing process. Canada was the only really important source of nickel in the world at the time. Already by 1914 virtually all of the Canadian nickel deposits were U.S. controlled, through the International Nickel Company.

Inco expanded production to meet military needs, but continued in the old way, exporting matte from Canada for refinement in the United States. Concern regarding control of raw materials and word that the American company was selling nickel from Canadian ore to Germany, sparked a patriotic protest and a demand for government action. Under pressure from public opinion, and Dominion and provincial governments, International Nickel agreed in 1916 to construct a refinery in Ontario.

Canadians remained calm as foreign exploitation of natural resources gathered momentum. The proposed refinery, in fact, did not get into production until several years after the war ended, and excessive profits resulting from the demands of war tapered off. While U.S. investors grew rich from a war-inflated economy and control of Canadian raw materials, the people of Canada were smothered in debt in order to meet war commitments, in aid of British imperialism. The Monetary Times reported:

"Our own governments will be obliged to float further domestic war loans, and, if possible, further loans abroad for its own war outlay and for lending money to Great Britain to facilitate the British purchase of Canada products."

[December 28,1917]

No doubt a fairly large proportion of the British purchases were placed with United States - controlled branch plants, thus ensuring more profits for the American investors who had increased their penetration into the Canadian economy in the war years.

Even more crucial than the absolute growth of American interests, was the qualitative change that had evolved in world economic relations. A change that was most fateful to Canada's economic future. When the Armistice was finally signed on November 11, 1918, the United States was in an entirely new international position.

From the position of a net debtor nation in 1914, to the tune of $3.7 billion, the United States in 1919 had been transformed, through profits of war, into a net creditor to the extent of approximately $11.1 billion - a $14.8 billion improvement. A drastic reduction in foreign investment in the United States was caused mainly by the liquidation of European assets to cover the cost of war orders. New U.S. **portfolio** investments in Europe - loans to finance purchase of U.S. products - were primarily responsible for the change in position. However $1.2 billion in direct investment certainly contributed - as well as constituted a crucial long-term aspect of the change. United States Department of Commerce statistics, show the extent of the changing economic relations, as follows:

US INVESTMENT ABROAD
(billions of dollars)

Year	Total	Direct	Portfolio	Short Term
1914	**3.5**	**2.7**	**0.8**	**NA**
1919	**7.0**	**3.9**	**2.6**	**0.5**

FOREIGN INVESTMENT IN THE U.S.
(billions of dollars)

Year	Total	Direct	Portfolio	Short Term
1914	7.2	1.3	5.4	0.5
1919	3.3	0.9	1.6	0.8

Note the important point that most of the investment in the United States was located in the area of **portfolio** investment. The important fact that the United States had not surrendered physical ownership of its manufacturing industry enabled the American capitalists to pay off creditors with war-swollen profits from trade conducted with those very same creditors. Foreign ownership, represented mainly in U.S. **direct** investment, precluded the possibility of Canadian capitalists doing likewise, so that the country sank still deeper into the economic clutches of American investors.

Nearly $200 million of the $1.2 billion increase in U.S. **direct** investment abroad found a resting place in the Canadian economy. This put Canada in first place as a recipient of American direct foreign investment, and Canada had by then absorbed a stupendous twenty-three per cent of **total** U.S. investment of this type. Only Mexico with just over sixteen per cent, and the entire West Indies with nearly fifteen per cent, came anywhere close to Canada. In 1914, total United States investment in Canada (direct and portfolio) amounted to $880.7 million, by 1919, the figure had more than doubled to a total of $1,818.1 million.

At war's end, British investments in Canada and in South America, still exceeded those of the United States. What was significant in the immediate post-war situation was the fact that American direct investment in the hemisphere had achieved sufficient strength to be able to challenge European hegemony. In Canada itself the advantage had passed to the United States. American investment was rising while British interests were declining slightly. The gap between the British and the United States investments in Canada was narrowing and before long, the U.S. interests would surpass those of the British.

Following the war, some areas - notably Mexico after 1914 and Russia after the Bolshevik victory in 1917 - were not looked upon as favourable investment prospects by American capitalists. But Canada, close at hand and abounding in cheap sources of energy and vital raw materials, (in which the United States was already then beginning to experience serious depletion), presented a friendly and stable political climate. A ruling bourgeoisie that actually welcomed and encouraged foreign investment, made the situation even more attractive. The Canadian consumer goods market, too, was a convenient extension of the U.S. market.

In view of American needs for Canadian raw materials and energy, it would have been most surprising if U.S. investment had failed to register a sharp upward trend in the immediate post-war years. It has already been shown that the total American investment in Canada which stood at $800.7 million in 1914, had almost doubled to $1,630 million in 1918. In the next two years, to 1920, this investment stake had increased by another 31 per cent, to $2,128.2 million.

While friction and even outright conflict did arise occasionally, (invasion of Canada in 1775-76; the War of 1812; the Fenian Raids; the Inco affair, and the belated entry into the first world war by the United States), American penetration of the Canadian economy - its crucial character and the threat it posed to Canada's capacity to shape its own destiny - went virtually unnoticed in the early years. It was seldom commented on, and when comment did occur it was mainly friendly in tone, and encouraged additional investment.

As U.S. production increased in the 1920's, thereby creating a surplus in the domestic market, there was an increasing need for expansion abroad. And increased population - occuring as United States sources were being depleted - gave rise to a growing demand from corporations for ready access to foreign sources of raw materials. U.S. official economic reports reveal that in 1929, raw materials-oriented investments abroad represented slightly more than half of the book value of United States direct investments abroad - excluding those that were located in public utilities and transportation.

Canada, as indicated above, had an abundance of nearly all of the materials that were desperately sought after by American industry. In addition, Canada represented a convenient location for investment; a safe and friendly economic and political climate which encouraged U.S. penetration. Mainly because of easy access to empire markets, Canada provided an outlet for manufactured products so attractive that it could vie with resource-oriented investments for first place as a favoured sphere for U.S. investments. It is no surprise or by no accident, therefore, that Canada became the recipient of more United States investment abroad than any other country. And it is the combination of these factors, when taken together with Canadian ruling class policies that created the conditions for American domination; a domination rendered the more certain and more secure with the steady decline of Britain and the rise of the United States to prominence as a world imperialist power.

A slight, but steady, decline in British investment in Canada, amounting to $300 million between 1913 and 1921, and a corresponding dramatic rise in United States investment over the same period, caused a critical alteration in the Canadian situation. In 1922, **for the first time,** the value of American investment in Canada, surpassed that of Britain. Figures for selected years are illustrative of this changing relationship: In 1913, British investment in Canada, direct and portfolio, totalled $2,793.1 million, compared to a U.S. total of $779.8 million; by 1919, the first full year following the end of armed conflict, the amounts were respectively $2,645.2 million and $1,818.1 million, and by the end of 1922, the corresponding figures were $2,463 million and $2,593 million.

From this point on American investments exceeded all other foreign investments in Canada. This constituted a dramatic and fateful change in the Canadian situation. Virtually unnoticed, Canada had passed from the orbit of one empire - Britain - into the orbit of another - the rising empire of American imperialism. There are several critical reasons why this changing situation was important in the economic development of Canada. Geographically Canada was relatively remote from Britain, whereas in relation to the United States Canada was a geographical extension of the continent and economically a virtual extension of the American market, and more sensitive to U.S. influence in all spheres. In addition, the **form** of British investment was quite different to that of the U.S. The former concentrated on **portfolio** investment which did not involve the alienation of ownership and control of physical assets; the latter was composed mainly of **direct** investment which did involve alienation, and resulted in the acquisition by American investors of a critical proportion of Canada's productive capacity.

It has been established that foreign direct investment in the United States in 1914, amounted to $1.3 billion. In the same year Canada, with less than one-tenth the population, (and even less in terms of industrial development), was host to $618.4 million of **United States direct investment alone,** while **total** direct foreign investment exceeded $1 billion. The general economic situation not only precluded Canada getting out of debt; it established a solid base for the consolidation and further expansion of economic domination by the rising American empire.

The 1911 Report of the Royal Commission on Foreign Direct Investment in Canada, states that by 1930 United States capital investment in Canada was roughly 57 per cent portfolio and 43 per cent direct.

•*U.S. DIRECT INVESTMENT*
(millions)

	1919	1929
Manufacturing	**400**	**820**
mining	**200**	**318**
public utilities	**15**	**245**
Total U.S. Direct Investment	**814**	**1657**

This was a solid base of direct investment upon which to build, the welcome mat was conspicuously displayed to attract United States capital investment, and American investors were quick to respond to the invitation. Over the years 1919 to 1929, U.S. direct investment in Canada and Newfoundland more than doubled, rising from $814 million to $1,657 million with investments in manufacturing accounting for almost half the total. At the same time American interests in public utilities increased from a modest $15 million to a total of $245 million. This growth reflected American interest in the acquisition of hydro-electric power development for the production of such items as pulp and paper, aluminum and nickel, and in the production and distribution of natural gas for use in industrial establishments that were mostly U.S. owned. According to the Bureau of Statistics, 867 American branch plants had located in Canada by 1929, 544 of them having arrived in the ten-year period between 1919 and 1929.

A U.S. Department of Commerce report on American branch factories abroad, cites figures showing 806 U n - controlled plants in Canada, which employed 69,374 workers and represented an investment of $460,989,113 by 1932. Another 97 companies engaged in producing raw materials, (including only those competitive with parallel U.S. based companies), owned investments in Canada amounting to $373,587,947. The report, issued in 1934, went on to say that

"... 805 companies controlled in the United States, employing a capital of $833,293,135, account for about 24 per cent of the gross value of the products of Canadian factories. In some industries only a scattered dozen, or score or so, of American plants are to be found. In others they loom so large that to describe their history is to write the story of that section of Canadian industry."

If even the depression years could be so prosperous for the American branch plant, it is little wonder that they became all-pervasive in better times.

The automobile industry, controlled almost entirely by the dominant U.S. corporations in the field, is an obvious example of the effect of American imperialism on Canadian manufacturing.

Auto manufacturing was an early victim of United States expansion into Canada. In 1919 it was estimated that Canadian capital controlled about forty per cent of the industry in the country. But just a decade later American-controlled corporations produced in excess of eighty-three per cent of the nation's cars, trucks and parts That was by no means the end of the story.

A car is made of many parts and relies upon production in a number of other industries. Iron, steel, other metals, textiles, rubber, are listed among the major staples that contribute to the production of the automobile. Since the American capitalists controlled the industry they naturally favoured United States corporations in which they had a share or had other connections, when placing orders for supplies, parts and equipment - tires, batteries, windshields, etc., (in later years expanding into radios, tape-decks, and similar extras), were all obtainable from U.S.-owned companies.

In response to the demands of this burgeoning industry, such industrial firms as Goodyear, U.S. Rubber, Firestone, Goodrich, enlarged existing plants in Canada or established new ones. By 1929 the only significant non-U.S. owned tire producer in Canada was Dunlop - and that was British owned. U.S. Steel and Republic Steel plants located in Canada - both American owned - were important suppliers to the auto industry, as were American Auto Trimming, McCord Radiator, Champion Spark Plug, Kelsey Hayes and du Pont.

There can be no doubting the evidence: Establishment of a basic manufacturing industry that is American owned, has inevitably led to the spawning of others on the periphery, in the field of staples and necessary parts. In addition, research, technology and industrial design, became concentrated in the parent corporation, thus effectively preventing the branch plant industry - and consequently, the nation - from achieving full and independent development in these crucial areas. And the solid foundation which these suppliers gain through their connections places them in an advantageous position for the penetration of other areas to the disadvantage of less-favoured Canadian owned plants. In short, control of the basic manufacturing process has a ripple effect, by which American owned branch plants lends impetus to the expansion of U.S. control into areas beyond the immediate sphere of the basic manufacturing enterprise.

A similar situation prevailed in the infant aircraft industry, which was dominated by U.S. capital, through the medium of firms like Canadian Wright (established 1926), Curtis-Reid Aircraft (established 1928), Canadian Pratt and Whitney Aircraft (established 1928), Fairchild (established 1928), and Boeing Aircraft of Canada (established 1929). And by 1929, over forty per cent of the production of office, household, industrial, and agricultural equipment, originated in plants that were U.S. controlled. Drugs, cosmetics, and pharmaceuticals, were dominated by such American-controlled firms as Colgate-Palmolive-Peet, Parke-Davis, and Proctor and Gamble. **[31]:** Naturally, wrappings and containers for these products were supplied mainly by US-owned firms, often being produced in the United States. Continental Can, and American Can - both US-owned - for example, became the chief suppliers of containers for the food packing industry.

American Cyanimid expanded its Niagara Falls plant. Alcoa's Canadian subsidiary - which became Aluminum Ltd. after 1928 - had a pre-war facility at Shawnigan Falls and opened another at Arvida in the 1920's. By 1929 the two together had produced approximately 40,000 tons of aluminum, of which 36,400 tons were exported. At that time Aluminum Ltd., was the sole producer of aluminum in Canada.

Three giant enterprises enjoyed dominant ranking in the pulp and paper industry in 1929: International Paper and Power; Abitibi Power and Paper, and Canada Power and Paper. Only the first named was U.S. owned, but there was a sizeable American financial interest in the other two, and all alike depended on the American market for survival. By 1929, U.S. Investment in the industry amounted to $279 million, which constituted a major investment in an important Canadian enterprise, but representing a smaller percentage of total investment involved than was the case in auto, rubber, electrical, chemicals, etc. However, the dependence of the pulp and paper industry on the U.S. newsprint market should be taken into account. Over eighty per cent of Canadian newsprint production was exported to the United States.

In the 1920's, the huge telephone corporation, American Telephone and Telegraph (A T & T(made Canada the sole recipient of its only foreign investment. Under pressure of a U.S. anti-combines commission A T & T reduced its Bell Telephone (Canada) holdings from 38.31 per cent in 1920, to 25.13 per cent in 1930, still sufficient to ensure effective control of the Canadian corporation.

Merchandising in Canada did not escape the attention of American investors. By the 1920's, in operation in the nation's retail business were such firms as: Liggett Drugstores (a subsidiary of Drug Inc.); Woolworth; Montgomery Ward; and Safeway Stores. As well there were nine U.S. public utilities firms operating in Canada in 1929.

Using Canada as a base for overseas investments was a practice that had an early start as an off-shoot of branch plant activities. By 1929, among the United States corporations using Canadian holding companies for overseas business were Union Carbide (for Norway), Kelvinator (for England), Ford Motor Company (for the British Empire, except Britain and Ireland), Standard of New Jersey (for Peru and Colombia), and the Aluminum Company (for the world outside of the United States). In each of these cases the U.S. parent company operated in Canada and used a Canadian unit to handle foreign business transactions. **[32]**

One American Company, Sherwin-Williams, in 1920 had a Canadian affiliate that owned an English company,' that, in turn,, had sales branches in China, India and South Africa. It was not unusual for U.S. subsidiaries in Canada to supply foreign markets as a temporary measure, when the parent company was overloaded with orders. Exports from Canada could fill the interstices in supply to relieve pressure on production. (This phenomenon of U.S. foreign investment from a base in Canada will be dealt with in more detail further on.)

The Depression

By the end of 1929, the last full year before the 'great depression' of the thirties, total United States investment in Canada - (an increasing proportion of it **direct** investment) - amounted to $3,794.4 million, giving rise to some public expressions of concern regarding 'foreign control' of the economy. In a House of Commons debate A.A. Heaps, member for North Winnipeg, declared:

"I would far sooner have waited a little longer ... for the development of our resources than see the people of Canada ... become hewers of wood and drawers of water to American capitalists."

J.S. Woodsworth, labour member for Winnipeg (later founder of the Co-operative Commonwealth Federation) repeated Heaps' sentiments in the House in a 1931 debate, when he said:

"I would call attention to the very rapid acquisition of our resources by Americans. Pulp wood, mining, oil, waterpower are passing under foreign control. Some day if the House will permit I should like to exhibit in this Chamber a spot map on which the American controlled industries will be marked with the Stars and Stripes. If that were done with respect to all the country there would hardly be room to place a Union Jack."

But the Prime Minister of the day, R.B. Bennett, could only see good resulting from a close economic relationship with the United States. Intervening in the debate on the same day that Woodsworth spoke, he declared:

"Fear has sometimes been expressed that these outside nations by starting industries in this country or by investing their capital in our economic life, will damage our interests. The facts of the case reveal these fears to be groundless."

Bennett, a lawyer and an active participant in the affairs of the E.B. Eddy Company, as well as being close to American circles in the Calgary area which he represented in Parliament, was a leading spokesman for the Canadian ruling class. Sections of the press echoed the Bennett line in praise of United States economic penetration of Canada. The Manitoba Free Press editorialized:

"There is nothing new or startling in this tendency. Canada is only following the natural course of ... every new country. British capital built up the railways of the world ... as each new country grows in strength, ownership of its capital equipment passes into the hands of those closest to the scene of actual operations. What marks out the story as distinctive in the case of Canada has been the rapidity of the change. The tendency is one of the last ten years only. ... By the end of another decade the ghost of foreign domination will be laid once and for all." [33j

The scribes at the newspaper closest to the seat of government, the Ottawa Citizen, said:

" As the United States grew rich enough to get along without 'British gold', so Canada every day is piling up reserves of financial strength which will make 'Yankee dollars' equally inconsiderable as part of her economy.

Let us get ahead with business and with our national development and leave the ghostmakers to the sweetly sorrowful enjoyment of their dolorous forbodings."

The essence of these statements consists of a fundamental denial of the existence of imperialism in the world. But even allowing for the refusal to acknowledge an imperialist-colonial economic relationship, it should still have been possible to recognize the difference between the policy of **direct** investment, which was favoured by American imperialists and **portfolio** investment that the British favoured. The American capitalists were not lending money for industrial development; they were taking possession of fixed and physical assets that could never be repossessed through any normal capitalist process, such as repaying and retiring a mortgage with the surplus values created in the business operation. In this case the foreign imperialist investor reaped the surplus value and retained all of the business assets, thus setting up a self-perpetuating and self-financing operation that could not be 'ransomed'.

The close of the post-war 'boom' came during the final months of 1929. The stock market crash in October of that year, which had been building up since 1926 was the result of the crisis in capitalist production. The economy of Canada, heavily dependent upon staples production, fell into serious trouble. The sharp decline in United States industrial production brought in its wake a disasterous reduction in the export of Canadian raw materials to the American market, while shipments of wheat to Britain and Europe almost vanished entirely. Foreign investors were drawing off profits from what little was left of industrial activity. A League of Nations survey, **Industrialization and Foreign Trade,** reported that Canadian manufacturing output dropped by 40 per cent between 1929 and 1932.

This is not meant to suggest that Canada's economic problems were caused by foreign ownership. The crisis was one of the world system of capitalism and Canada, as a country committed to sustaining capitalist production relations, could not expect to escape the effects of an economic crisis of these proportions. But even considered within the context of the social order, Canada was at a disadvantage. With so much of the country's economic activity under foreign control, the capacity to plan and direct towards possible recovery was extremely limited. The detrimental effects of the appropriation of surplus value by foreign investors was aggravated by the drain on resources caused by the servicing of international debt which was eating up more than a quarter of earnings from exports. So while foreign ownership did not cause the crisis, it did aggravate the effects of the crisis for the working people of Canada, who sank ever deeper into conditions of poverty and deprivation.

Canada's manufacturing industry, already more than 40 per cent American owned, might well have suffered near total wipeout in the crisis years, had not the government resorted to the limited remedial measures available. The Canadian ruling class, once again as in the past, resorted to tariff protection linked to new Empire marketing schemes, which halted the downward drift just short of total catastrophe.

Empire trade schemes forced the American entrepreneurs to maintain an active interest in Canadian manufacturing, which was precisely the goal desired by the Canadian bourgeoisie in the 30's, just as it was in the earlier 'national policy' period. Although Canada, economically speaking, had passed from the British to the American orbit, the old Empire connections and loyalties proved to be of some value to the ruling class - especially when used to pressure the US corporations in a time of crisis.

A combination of Canadian tariffs, Empire trade preferences and falling prices made the purchase of Canadian owned enterprises seem attractive to the American corporate investor. So despite the crisis, US direct investment in Canada increased during the depression years. Old plants experienced modest improvement, established firms were acquired and even some new plants were built. According to a survey made by the US Department of Commerce, of 94 industrial plants newly acquired or established throughout the world by Americans in 1932, 87 were located in Canada. This phenomenal result can only be attributed to the special and peculiar circumstances of US - Canada relations and to the economic policies of the Canadian ruling class, which were deliberately designed to both encourage and pressure United States capitalists into investing in Canadian industry. Between 1929 and 1940 US **direct** investment in Canada increased by nearly $500 million through **inflow** alone and not counting reinvested earnings. A large proportion of the investment was in resource industry but, significantly, American investors had gained control of 40 per cent of Canadian manufacturing.

As the ruling class thus continued to survive, and even grow richer, on the basis of old economic policies; as foreign control of the Canadian economy penetrated into new areas, and expanded in old ones, the working class shouldered the burden of the crisis, thereby suffering extremes of poverty that descended into conditions of malnutrition and even outright starvation. Canada's per capita income declined by fifty per cent between 1929 and 1933. Naturally, a very large proportion of the working class suffered even sharper poverty.

The prairie provinces, relying on production of staples which were mainly for export, were particularly hard hit. On the prairies tariffs could offer neither protection or relief as these products were dependent on world prices. The average annual production of wheat on a national scale for the period 1920 - 28 was 220.5 million bushels. The export price for wheat fell by more than half between 1929 and 1933 and in 1932 production was only 40 per cent of the 1929 level. A fall in either volume or price of this order would have brought serious depression; taken together they spelled ruin.

Of course it was policies deliberately pursued by the **Canadian** bourgeoisie that fashioned these particular results. The crisis merely exposed the weaknesses inherent in a policy of reliance on the production and marketing of staples and the import of expensive consumer and capital goods.

The foreign investors - mostly American - in whose hands the economic fate of the country largely rested, were mainly concerned with the development and exploitation of Canada's abundant natural resources, which was just another area of staple production. The processing of the raw materials into end products was generally pursued only to the extent brought about by means of policies of compulsion. The areas of attractive investment were **capital intensive,** requiring only a relatively limited labour force and thereby restricting the size of the domestic market. When the world market for wheat collapsed in the crisis years, there was no domestic consumer market capable of absorbing any substantial portion of the wheat crop. The policies being pursued distorted and retarded economic development and aggravated the effects of the capitalist crisis in the particular Canadian situation.

During the period 1929 to 1933 per capita income in

Alberta fell by more than 60 per cent and that of Saskatchewan by an almost unbelievable 72 per cent. Considering that living standards were already chronically and dangerously low before the onset of the economic crisis, with more than one-third of the working people in town and countryside living on, if not within, the borders of starvation; one can well imagine the plight of the majority of the people. Policies pursued by the Canadian ruling class paid off in profits for themselves and for their American imperialist partners in crime and in extremes of deprivation for the working people of Canada.

The Advent of World War

The coming of Hitler to power in 1933 and the transformation of Germany into an anti-Communist base; the connivance of the bourgeois democracies in the rearming of Germany for a projected war against the Soviet Union, brought abour partial revival of production in the industrialized nations. When Japanese troops marched across the Marco Polo Bridge in 1937, marking the start of a push into north China, preparations for a new war on a world scale received additional impetus. So, from 1934 on, the world capitalist economy experienced an upward turn.

American capitalists, well experienced in how to profit from war, were not slow to seize advantage of the situation. Canadian resources were an important factor in war industry and the easy and convenient access to them made investment in Canada an increasingly important proposition for American investors. There was always the possibility of being directly involved in the war, in which case control of Canadian resources would become even more important to American interests, political as well as economic. By 1936, spurred on by the militarization of the nation, American control of Canadian manufacturing increased substantially.

In 1935, United States direct investment in Canada amounted to $1,692.4 million, a sum exceeded only by **all** of Latin America combined. By 1940, when the full effects of a war-oriented economy really began to be felt, US direct investment had soared to $2,103 million. Resources and war-related industries were the chief areas of this expanded American investment in Canada.

AMERICAN CONTROL OF THE ECONOMY - PERCENTAGE AMERICAN CONTROL SELECTED SECTORS OF ECONOMY 1936

Rubber industry	**64**
Pulp, paper & lumber	**34**
Machinery production	**42**
Automotive	**82**
Electrical apparatus	**68**
Non-ferrous metals	**50**
Chemical industry	**41**
Miscellaneous	**40**
Total of manufacturing production	**25**

While not committed to the war militarily during the opening years, the United States, in pursuit of its own material interests, was committed economically and politically to the side of the 'western democracies'. No contentious issues such as the International Nickel conflict of the First World War, arose to foul the atmosphere as round two of the world conflict got under way. American branch plants in Canada co-operated in converting to wartime production. When Russia was attacked and later when the United States was directly involved, the demand for Canadian resources increased and the fortunes of American investors and American industry grew with the rising tide of hostilities. Impelled by the demands of a conflict that was essentially a battle for their own survival and encouraged by the vast amount of profits being amassed, as well as by the expansion of their sphere of influence in the world, United States capitalists penetrated ever further into the economy of Canada as the flow of wealth from all sources into the United States increased rapidly.

In 1939 American direct investment in Canada amounted to $1,881 million which represented slightly over 45 per cent

U.S. DIRECT INVESTMENT
(in billions)

	1924		1958		1964		1967	
	$	%	$	%	$	%	$	%
Europe	0.9	17	4.4	16	12.1	27	17.9	30
Canada	1.1	20	8.9	32	13.8	31	18.0	31
Latin America	2.8	52	12.7	43	10.3	23	10.2	17
Other	0.6	11	1.1	9	8.1	19	13.2	22

Source: Clements, *The Canadian Corporate Elite,* p. 111

COMPARISON OF U.S. AND BRITISH CAPITAL INVESTED IN CANADA 1900-67
(estimated book value in millions)

	1900	1914	1930	1939	1946	1950	1960	1967
U.S.								
Direct			1993	1881	2428	3426	10549	17000
Portfolio			2667	2270	2730	3123	6169	11030
Totals	168	881	4660	4151	5158	6549	16718	28030
British								
Direct			392	366	335	468	1535	2152
Portfolio			2374	2110	1335	1282	1824	1424
Totals	1050	2778	2766	2476	1670	1750	3359	3576

Source: ***Dominion Bureau of Statistics.***

of total US investment (direct, portfolio and loans) in the country. By 1946 direct investment had increased by nearly 30 per cent to a total of $2,428 million. This was 47 per cent of total US investment in Canada. This was a modest percentage increase, but it represented a trend towards increased emphasis on direct investment by the US. This was to become more crucial with the passage of time.

The Cold War

In a sense, all that has been set down to this point is prologue. The dominant classes that had made the American revolution, and created the United States out of the thirteen settler colonies economically dominated by England, by reason of their class interests and their control of the state, determined the path of political and economic development to be taken by the new nation. It was a path that was to lead inexorably from the status of colonial settlement to that of a superpower contesting for hegemony over the whole world.

We have here sketched in outline, to the end of the Second World War, where Canada has been situated in relation to that historical development; how Canada stood between two empires - the one in decline, the other newly emerging. We have detailed the passage of Canada from the orbit of one empire to that of another, and the political-economic reasons for it. These issues have been stated in a historical-materialist context, showing **why** events took place in this manner.

By war's end Canada was host to a massive $2.5 billion of American direct investment, an amount exceeded only by the entire area of Latin America - and soon Canada was to overtake and surpass that region also. Yet, massive as this investment was at the time, both in terms of the economy of Canada and in comparison with U.S. investment in other areas of the world, it constituted no more than a base for the vast expansion due to take place in the years that followed.

Several factors comtributed to a temporary maintenance of the status quo after the conclusion of World War Two. This condition was reflected in the modest increase in U.S. direct investment amounting to $124 million in 1946, and $120 million in 1947. There seemed to be a feeling of insecurity prevalent amongst capitalists immediately after the war. An uncertainty as to what might happen, especially in Western Europe, a very strategic area. American capitalists appeared to harbour some doubts about the willingness and capabilities of European capitalists, to survive and preserve the capitalist system. This tended to make American capitalists hesitant in investing in Europe. Most of the European continent was in ruins and Germany, convicted of war crimes, was to be prevented from rebuilding large-scale industrial establishments. The Russians were encamped on the Elbe, basking in unaccustomed popularity, and Communists, representing mass political movements - especially in France, Italy, and Greece - held ministerial positions in several governments. The times did not seem propitious for a capitalist resurgence, or any kind of expansionist activities. The idea of foreign investment was not a particularly attractive one.

BuF an early review of the situation inspired the western capitalists to entertain brighter hopes for the immediate future of their class. The Russians appeared to be more than content to hold the line at the Elbe for some time to come, leaving the capitalist west to its own resources in a search for solutions to the many complex problems confronting the governments of the day. The most powerful Communist Parties in the west, which seemed to possess the capacity to seize power immediately after the war, not only appeared to be unwilling to make a revolution, but to fear revolution.

Greek Communists surrendered to British demands for a return of a universally hated monarch to the throne; Italian and French Communists served loyally in their respective bourgeois administrations, the latter even going so far as to support French imperialist claims to possession of Algeria and Indochina; European capitalists found the will to survive. The moment seemed ripe for a renewal of American interest in European and world affairs. Canada was fated to play a crucial role in the bourgeois revival, and in the rise of the United States to a dominant place in the world imperialist system.

In his 'Iron Curtain' speech at Fulton, Missouri, Churchill sounded the bourgeois call to arms. This was followed in rapid succession by the Truman Plan to save Greece and Yugoslavia from the menace of 'Bolshevism', and then the more comprehensive Marshall Plan to reconstruct Europe and convert it into a bastion of 'Western Democracy'. The Communists of Greece fled in disarray, Tito made peace with the imperialists, and Italian and French Communists were quietly and uneventfully kicked out of office after faithfully serving the bourgeoisie through troubled times. There was even an aborted attempt to return

Czechoslovakia to the capitalist fold.

In order to rebuild Europe and turn it into a bastion of resistance against the Soviet Union and 'Communism' and to serve as an outpost of American empire, the reindustrialization of Germany and the reconstitution of the German monopolies, was a prime necessity. This presented certain difficulties, since there was a wartime agreement to dismantle the large German industrial complexes and to return the country to a near-pastoral existence.

The only chance to overcome these difficulties appeared to rest on success in convicting the Russians of double-dealing in their relations with their former allies. Canada played a key role in this scheme.

Just as the 'Hot War' was drawing to a close, Canada expelled some Soviet embassy representatives and arrested a number of Canadian citizens - scientists, army officers, Communist Party functionaries, and even one member of Parliament - on charges of spying for the Soviet Union. The charges were manufactured out of whole, but rather shoddy material. The attack was widened to embrace the whole of the 'western world', the most spectacular part being played by the infamous 'McCarthy investigations' in the United States. A campaign was launched for the declared purpose of mobilizing people against 'totalitarian communism'. The campaign enjoyed a large measure'of success.

Europe, with the aid of the United States (for a profit, of course), buckled down to the task of reconstruction, and workers were urged to make sacrifices in the defence of the 'free world'. Exceptional success greeted the campaign in West Germany, where the working class toiled long days for little pay. Japan, too, was started on the road of industrial reconstruction as the capitalist position in Asia deteriorated.

Important as it was in launching the 'Cold War', Canada played a considerably more important role as the supplier of raw materials for the reconstruction of Europe and Japan. With more than a dozen strategic raw materials essential to the reconstruction plans, Canada and its resources were crucial to American imperialist plans. The demand for, and the prices of, Canadian resources soared as reconstruction gathered speed. As the pressure of demands on U.S. industrial capacity increased, orders were temporarily funneled into American branch plants, which experienced a period of expansion.

However, these important sources of profit were in control of foreign (mainly American) investors. The Canadian bourgeoisie was content to play its historic role in the economy, administering the state apparatus, managing branch plant industry, building and managing the infrastructure, and providing banking and other services to facilitate the flow of capital in any direction desired by the imperialist exploiters of Canada and its people. At the very moment when the Canadian economy should have been able to establish its independence, due to high prices and increasing demand for raw materials and energy, the country was becoming more deeply enmeshed in the grasp of the great American corporations - and the capital necessary for the accomplishment of our enslavement was being accumulated from the exploitation of Canadian workers. We were being shackled by the surplus values we ourselves were producing.

As we proceed we shall observe in Canada a real example of how American imperialist corporations exploit a country and employ it as a base in the struggle for world hegemony. With the full cooperation of the Canadian ruling class who played a role - profitable to themselves - complementary to American imperialist interests, the stranglehold of the giant U.S. corporations became ever tighter. American investments grew to truly massive proportions. Canada became something in the nature of a laboratory, where all the world could view the consequences of a country's succumbing willingly to the suffocating embrace of a single great power.

The early post-war years were marked by difficulties confronting new American ventures in less developed countries. Canada appeared much safer, more secure, more stable, and possessed the added attraction of an already existing consolidated base of American investment that had been building up unmolested over many years. In all the essentials a great place for a safe and profitable investment, a point which was emphasized in a Canadian government report:

Canada was in a uniquely favourable position to take advantage of the...post-war surge in the market for metals and minerals. We had an already well-established and advanced mining industry, proven mineral resources, ample supplies of available or accessible power, and an economy capable of supplying the trained manpower and often complex goods, transport facilities and engineering and other services basic to successful resource development. Our geographical position, the close corporate or other links [marginal and financial] of many Canadian mining firms with mining and mineral processing companies elsewhere [primarily in the United States], a favourable tax structure, and a political climate conducive to investment were other factors tending especially to stimulate our post-war mining development. Moreover, the country had a practically untapped geological potential which promised well for future discoveries; with the aid of new prospecting techniques like the geiger counter and the airborne magnetometer large new ore bodies like the nickel find at Mystery Lake, Manitoba, were located."

Canada had the resources in the sense that they were located in Canadian territory. But it was the foreign investor who owned and controlled them, determining how and to what extent they would be developed and exploited. However, the claim of ability to supply manpower, financing, and infrastructure, were all well founded. In those fields of endeavour the Canadian bourgeoisie had demonstrated their expertise in service to two empires.

American investors responded to the favourable investment climate; especially since they were already fast approaching the point of fifty per cent consumption of world production of raw materials and energy. Their own domestic supplies continued to dwindle while world demands grew. Demonstrating investor confidence in Canada, the treasurer of one large American corporation in 1946 declared: **"Personally, I am afraid of foreign investments. The record does not show that our foreign investments to date have been very profitable, except for those in Canada, which I do not regard as a foreign country."**

This was typical of American investor attitudes towards Canada. United States capitalists had seen that their factories in Canada had not suffered physical damage in two world wars and, more important, it was most unlikely that their business interests would be troubled by the political and economic stresses so much in evidence elsewhere in the world. With all of the significant factors being so markedly favourable, it is not at all suprising that American investment in Canada came to dominate the country's economy.

In terms of the spectacular rise in the size of American holdings that began in the mid-sixties, net increase in the book value of United States direct investment was not particularly startling. However, from 1947-48 the net increase was $259 million (more than doubling the rise in the previous year) this indicated a trend that would intensify rather than diminish in the years ahead.

A good example of the expansion of U.S. investment in Canada during this period is the mining industry. Prior to World War Two the principal American steel companies relied on domestic sources for their ore supplies. But as demands soared and domestic sources proved inadequate, the United States Steel Corporation, followed by others, ventured into mining development abroad. Thus the mining of iron ore became one of the more significant new areas for American investment abroad. And what better place than Canada for the experiment? The Quebec-Labrador region, where some U.S. companies had begun the mining of ore in 1942-43, became an important source for iron ore development in the post-war period. [361

Through the 1950s and 1960s, as the United States passed through the Korean War into the war in Indochina, and assisting in the arming of reactionary regimes everywhere, direct investment in Canada increased at an enormous rate and American control over the economy reached extraordinary proportions. Many Canadians began to express concern over the adverse effects of foreign control and there was much discussion of a growing national consciousness in the country, while 'continentalism' became suspect in many circles. Nevertheless, U.S. investment kept on growing at an astonishing rate, and restrictions on, and signs of official opposition to, the American 'invasion' was non-existent so far as any meaningful action was concerned.

In the 1950s, the principal areas of contention between American investors and the Canadian bourgeoisie concerned ownership and/or control of television stations and insurance firms. In the 1960's, the areas of concern were newspapers and the particularly sensitive banking system. But in those sectors of the economy where U.S. investment was most pervasive, no inhibiting measures were proposed or even contemplated. On the contrary, governments at all levels, in offering tax incentives and outright cash subsidies to industry, gave millions of dollars to large American companies, under the pretext of having them locate in 'depressed' areas. Much of the federal government's generosity in this regard was showered on the powerful US oil companies.

Given this type of open policy, and the United States attitude, of treating Canada as just a northward extension of their own country, American investment growth was a foregone conclusion.

The Canadian economy plays host to nearly one out of every three dollars of American direct investment abroad. No **region** - for example: Latin America, Europe, Africa - receives as much American investment as Canada. No single country comes even close. And yet, there is far less diplomatic intervention in Canada by the United States, in the interests of American business, than there is anywhere else in the world.

By way of comparison, and as a means of emphasizing the full importance of American direct investment in this country: if Latin America were the recipients of a comparable amount per capita, U.S. direct investment there would exceed **three hundred thousand million dollars.** But U.S. investment in Latin America is not even one-tenth of that amount. Yet, much of the region is contemptously referred to as a 'banana republic', while Canada is said to be 'independent'.

The material result of this investment position is reflected in the **Financial Post's** (summer, 1976) list of the top 200 industrials in Canada, which reads like a who's who of leading American corporations. The tope three on the list are Ford Motor Company(Ford family), General Motors (Morgan-du Pont), and Imperial Oil (Rockefeller). Of the first 18 companies on the **Post** list, 9 are readily identifiable as U.S. controlled, at least 5 others are of doubtful parentage, and one is a publicly-owned corporation.

Shortly after the turn of the century Sir Wilfred Laurier declared that the twentieth century would belong to Canada. However, the evidence shows that not only is this not the case, but that Canada has not risen above the level of economic colony to this day.

FOREIGN OWNERSHIP OF TOP 18 CANADIAN INDUSTRIALS

Rank by sales 1975/76	Company	Foreign ownership %	Foreign ownership Owner
1	**Ford Motor Canada**	**88.1%**	**Ford Mtr. U.S.**
2	**General Motors Can.**	**100%**	**General Mtr. U.S.**
3	**Imperial Oil Ltd.**	**69.5%**	**Exxon Corp. U.S.**
4	**Canadian Pacific**	**33.8%**	**U.S.-16.4%; British 8.6%; other 8.8%.**
5	**Bell Canada**		
6	**Massey-Ferguson**		
7	**Chrysler Canada**	**100%**	**Chrysler Corp. U.S.**
8	**Alcan Aluminium**	**58%**	**U.S. 43%; other 15%.**
9	**Shell Canada**	**71%**	**Royal Dutch/ Shell Group**
10	**Gulf Oil Canada**	**68.5%**	**Gulf Oil U.S.**
11	**Inco**	**52%**	**U.S. 37%; other 15%**
12	**Canada Packers**		
13	**MacMillan Bloedel**		
14	**Steel Co. of Canada**		
15	**Brascan**		
16	**Noranda**		
17	**Moore Corp.**		
18	**Seagram Co.**		

Source: *The Financial Post 300,* Summer 1976

Imperialism and the Export of Capital

It is a fundamental error to reduce the discussion regarding imperialist manifestations to the one simple issue of 'export of capital'. If nation 'A' exports an identifiable amount of capital to nation 'B \ then it automatically follows that nation 'A' is imperialist in character. All that then remains is the discovery of the amount of capital involved in relation to other capital-exporting nations, so that the **degree** of imperialist exploitation may be precisely defined.

Since the end of the Second World War the inflow of United States capital - ie. the export of capital from the United States to Canada for purposes of direct investment - has declined sharply and steadily, going as low as $354 million in 1968, and topping a scant $569 million as late as 1972. This leads the 'capital export' theorists to conclude that American imperialist influence and control in Canada is on the decline, while Canadian investments abroad are increasing. So Canada, according to this analysis, is more imperialist in relation to some countries than the U.S. is in relation to Canada. That, of course, is a logical conclusion to arrive at, based on the simplistic 'capital export' theory. But how is it possible for anyone to reconcile that conclusion with the very evident fact that United States domination over the Canadian economy is on the increase?

We have stated that the export of direct investment capital from the U.S. into Canada amounted to just $354 million in 1968. But in that same year, the **book value** of U.S. direct investment increased by $1,510 million.

According to Statistics Canada, (Canadian Balance of Payments 1946 to 1965) the **net increase in book value** of foreign direct investment in Canada from all sources between 1946 and 1964, amounted to $13,176 million. But **total net inflow** (ie. capital exports from other countries.into Canada), accounted for only $6,971 million of the increase, this means that $6,205 million was generated internally and reinvested. And a later (1972) report shows that direct investment from the U.S. alone recorded a net increase in book value amounting to $8,444 million on an actual cash inflow of $3,287 million from 1965 to 1970, indicating that for these five years alone, $5,147 million was generated internally.

Over the years since the Second World War, investors from all countries interested in Canada, (nearly 90 per cent of the dollar volume is of U.S. origin) increased the book value of their direct investment by an amount of $12,000 million dollars that is not accounted for by capital inflow.

Imperialism, after all, is the extension of capitalist relations abroad, not a system of productive relations fundamentally different in its essential characteristics. The essence of capitalist social relations is not simple capital investment, but the exploitation of people and resources, the private appropriation of socially produced surplus value. Figures regarding the export of capital do little more than indicate the beginning of a process. The maturing of that process in its imperialist phase is to be discovered in the exploitation of peoples abroad.

For approximately one hundred years now, American imperialists have been exploiting Canadian workers and Canadian natural resources. That particular exploitation has naturally resulted in the production of surplus value which has been appropriated by the capitalists, in this specific instance by foreign (American) capitalists - imperialists.

It is this surplus value, not U.S. capital exports, that finances American economic activity in this country. Capital exports have long since ceased to play any important role in American operations in Canada. **[37]**

It is also important to understand that United States investors are able to employ a considerable portion of the privately appropriated surplus value produced in Canada to expand their investments in still other countries (we will deal with this question more fully later on). This is mistakenly accounted as evidence of 'Canadian imperialism' by CCL. In addition, billions of dollars have been withdrawn from Canada in the form of interest, dividends, royalties, rental fees, etc., all of Which represents American imperialist appropriation of surplus value produced in Canada. All of this together represents the real extent of American imperialist exploitation in Canada.

Footnotes

[20] Collected Works of Lenin, Vol. 22, p. 210
[21] Ibid, p. 199
[22] See footnote 3
[23] Collected Works of Lenin, Vol. 22, p. 220
[24] In the case of Dominion Textile, the American capital was fairly insignificant, only being involved in one of the early companies which later merged. Of the 11 companies that formed Canadian Cement, one was completely US owned. In the merger which created the Steel Co. of Canada, Hamilton Screw Co. was US owned, and Canadian Screw Co., formerly a US branch plant, at the time of the merger was still tied to the US company by a licensing arrangement.
[25] Marshall, Southard and Taylor, Op Cit, p. 57
[26] M. Wilkins, Op Cit, p. 214
[27] "The need to export capital arises from the fact that in a few countries capitalism has become 'overripe' and ... capital cannot find a field for PROFITABLE INVESTMENT." Lenin Collected Works, Vol. 22, p. 242 In the Canadian situation, the overall economy was NOT overripe when capital began to be exported. It was, however, 'overripe' in the low-risk, short-term investment which was of interest to the Canadian bourgeoisie.
[28] Naylor, Op Cit, Vol. 2, p. 207
[29] Ibid, p. 208
[30] H.E. Fisk, "The Flow of Capital - Canada", Annals of the American Academy of Political and Social Science, May 1933
[31] Marshall, Southard and Taylor, Op Cit
[32] source: Moody's Company Records
131 Marshall, Southard and Taylor, OpCit, p. 287

[34] Ibid, p. 287-288

[35] We use the term 'increase in book value' to indicate the true extent of American control in Canada, which INCREASED even as capital INFLOW from the US was registering a dramatic drop. Those who concentrate on the "export of capital" as almost the only manifestation of imperialism will use the undoubted decline in inflow as 'proof that American imperialism is on the wane in Canada. This fails to take into consideration internal growth by means of earnings reinvested thus adding to the BOOK VALUE of investments. Statistics Canada reports both capital inflow and book value from year to year, and it is the increase in BOOK VALUE that shows the true growth of foreign investments.

[36] The M.A. Hanna Ore Company, an American firm with domestic resources, took a controlling interest in Hollinger North Shore Exploration Company, and the Labrador Mining and Exploration Company, both Canadian enterprises. In 1949 a consortium was formed of five leading American steel producers - Republic, National, Aramco, Wbeeling and Youngstown Sheet and Tube - in collaboration with Hanna and Hollinger interests. This imposing array of companies established the Iron Ore Company of Canada, to develop the immense iron ore deposits in the Quebec-Labrador region. Before the first shipment of ore was made in 1954 development expenditures had reached $258.6 million. Kennecott Copper and New Jersey Zinc carried out a joint exploration program in the Allard Lake region of Eastern Quebec where, in 1948, large deposits of iron and titanium were discovered. The two companies established the Quebec Iron and Titanium Corporation as the corporate owner. Encouraged by these material evidences of success, United States Steel's subsidiary, Carrier Mining Company Ltd., launched an extensive exploration program in northern Quebec in 1951. [Sources: Canadian Mining Journal and reports of the Canadian Department of Mines]

Uranium ore opened an entirely new field of exploration and development in Canada with the Americans first to begin action. The United States, which had once been an exporter of lead and zinc, became a leading importe of these items as stocks were piled up in expectation of war. Oil, a major discovery of the post-war years, together with natural gas, attracted considerable attention from American investors. In 1945 petroleum and natural gas, [excluding petroleum refining], absorbed $141 million of direct investment from the United States and none at all from other international sources of capital investment. By 1965, with the US bogged down in Asian conflict, the American stake in this field had increased to $3,600 million, while other countries had become interested to the extent of $930 million. In the same period, iron and ore products investments had risen from $272 million to $1,769 million, non-ferrous metals from $203 million to $1,875 million. Other major growth areas were wood and paper products and financial [insurance, loan companies, trust companies, etc.], each of which showed a US investment increase exceeding $800 million.

[37] Because they do not grasp this essentially exploitive and surplus value producing aspect of the problem, CCL-ML is unable to understand that American imperialism can, and does, expand its control over Canada's economy even while capital inflow declines quite sharply.

Chapter 3
The Canadian Bourgeoisie ~ a Puppet of US Imperialism

In the debate concerning Canada's status there often arises the challenge for a clear-cut declaration whether the Canadian bourgeoisie are a comprador class, puppets of the American imperialists, or in independent control of the Canadian state. [38] We hold that the question cannot be answered with an absolute Yes! or an absolute No! The relationship between the Canadian bourgeois and American imperialist is a complex one, and it is wrong to enter the debate with preconceived conclusions on the matter. The actual situation of that relationship should be closely examined and conclusions drawn accordingly.

To expect an absolute No! to the question would be asking one to accept a concept of the economy and the political superstructure existing independently of each other. Inherent in that kind of answer is the belief that governments in Canada can always resort to legislation that will compel foreign corporations operating in Canada - however powerful they may be - to act in accordance with the best interests of the country. Such an attitude implies that there is no reason to suspect that the presence of American corporations in Canada will be allowed to influence the nation's policy in either internal or external affairs. That is a naive outlook, based upon the assumption that the making of policy in the public administration can be neatly subdivided into seperate compartments - economics, politics, sociology, etc. It is an outlook that no government will be naive enough to entertain, since they are acutely aware ofthe fact that all economic policies have social and political consequences. When James Madison was participating in the debate on the making of the American Constitution, he stated his belief that:

"No country will long remain stable where the government does not serve the interests of the principal owners of property."

We have clearly demonstrated that the principal owners of productive property in Canada are the large American corporations, the evidence that sustains that statement is both conclusive and overwhelming, and flows in an almost daily stream from the offices of Statistics Canada. Canada's economic resources are primarily allocated to accomodate the needs of large private corporations that, in the country, are mainly under United States control. Is it logical for one to argue that these economic conditions have no effect upon how the country is governed, or -upon the nature of the administration that governs it? Innis clearly recognized and pointed out the crucial factor of serving as adjunct to more developed economies when he discussed the **Importance of Staple Products** in his volume on **The Fur Trade:**

"The economic history of Canada has been dominated by the discrepency between the centre and the margin of western civilization....Agriculture, industry, transportation, trade, finance and governmental activities tend to become subordinate to the production of the staple for a more highly specialized manufacturing community. These personal tendencies may be strengthened by governmental policy as in mercantile systems."

The locating of some of the facilities of the "more highly specialized manufacturing community" on Canadian territory, has tended to obscure the essence of this relationship. But the fundamental reality has remained basically the same. Prior to the first world war Canada was the prototype of a borrowing country, old style (portfolio)" Fourteen per cent of all British foreign investment was located in Canada, compared with twenty per cent for the United States and twenty per cent for all of Latin America.

Within a span of fifty years Canada had been transformed into the prototype of a borrowing country, new style (direct investment). By 1964, 80 per cent of long term foreign investment in Canada was American, $12.9 billion of it in the form of direct investment in branch plants and subsidiaries. Canada, a country with a limited economic base, was saturated with more than thirty per cent of all US direct investment abroad.

As a result of this penetration some sixty per cent of Canada's manufacturing industry, seventy-five per cent of petroleum and natural gas, and sixty per cent of mining and smelting, had passed into the hands of foreign corporations.

After 1957, fully eighty-five per cent of the funds to finance U.S. direct investment in Canada was accumulated internally, through the investment of retained earnings and depreciation reserves, and from Canadian bank loans. Only fifteen per cent was financed by United States capital exports. This factor is crucial in the limitation of Canadian control over the nation's economy, since a major portion of the funds generated internally, and essential to economic development, are controlled and manipulated by foreign (American) capitalists.

Personal savings are a relatively unimportant source of funding, when compared with the internal savings of major corporations. The decisions which supply the bulk of the country's savings, therefore, are not the perogative of individuals, but of the managements of a few hundred corporations. The decisions as to what, where, and how much will be invested, are made by this same collection of large firms, that are largely American controlled. The decision to save is hot made by the individual. The choice is not given to him by the corporations.

Canadian bankers on the boards of American **subsidiaries** do not share even minimal control over the global plans of these corporations, and that is the decisive point. Any subsidiary is the chosen instrument of the parent corporation, and its sole reason for existence is the carrying out of specific functions in its designated sphere of activity. That relationship must be clearly recognized and be a determining factor in all of its actions. The function of the bank representatives on the boards of United States plants in Canada is not that of sharing in direction, but merely being of service to the corporation branch in the particular arena which is the Canadian economy, and to serve abroad in a like capacity. (See Deverell, **Falconbridge,** for a detailed description of this kind of relationship as it affects one Canadian bank, the Canadian Imperial Bank of Commerce, and one American owned corporation, Falconbridge.) This is a mutually profitable arrangement, but one in which the Canadian bourgeoisie is subservient and highly vulnerable - a problem we will examine in a discussion of Canadian banks.

The contribution of a subsidiary to the parent is evaluated with respect to its effect on the profit rate of the corporation as a whole. The subsidiary is an instrument to be used within the context of the total operation. **If** the subsidiary were an independent financial entity conflicts of interest would inevitably arise. Eric Kierans, in an address to the Toronto Society of Financial Analysts on February 1. 1966, made the following comment:

"The purpose of investment in subsidiaries is not simply to earn a profit. In the parent-affiliate relationship, a profit on inter-company transactions may be taken at either end, but is normally taken by the parent. Thus a subsidiary could lose money and still make a net contribution to the parent company's income by the profit on purchases of raw

materials and component parts from the parent, by patents, royalties, and fees for management, advertising and research services. In fact, the primary purpose of investment in overseas markets is to earn a profit for the parent by the control of markets for the export of parts, components and raw material concentrates. It is not essential that the affiliate show a profit."

Obviously the parent company will shift its profit take to wherever the tax structure and other factors are most favourable. Depending upon its size, power and general policy, this corporate policy can have a more or less detrimental effect on the economy of the countries within which it operates.

A United States Department of Commerce report has pointed out that parent to affiliate sales were more significant for Canada, both in terms of absolute dollar value and in relation to total Canadian imports than was the case for any other part of the world. This, of course, reflects the greater degree of integration affecting branch plant operations. The study reported that Canada accounted for 39 per cent of total sales of United States manufacturing parents to affiliates, and 61 per cent of all American imports to Canada of manufactured and semi-manufactured goods consisted of transfers from parent companies to their subsidiaries. Comparisons with this latter figure show: Latin America - 36 per cent; Europe - 32 per cent; the rest of the world - 17 per cent. The logical conclusion to this is that Canadian subsidiaries are, in effect, merely American domestic appendages rather than even semi-independent operations. Domination over the branch plants is enormous, and the degree of freedom of choice extremely limited.

An examination of the industrial Research and Development (R&D) sector of the economy reinforces this bleak picture of Canada's subordination to an imperialist superpower. Canada is critically lacking in one crucial detail that is necessary to the making of a highly advanced industrial nation, and to the securing of its economic and political independence - we possess no machine tool industry, ie. we do not have the industrial capacity to produce the machines that make machines. Go into almost any industrial plant in Canada, and you will nearly always find that the machines in use have been produced elsewhere. On those rare occasions when you see a 'made in Canada' machine it will almost invariably have been produced in the Canada-based branch plant of some foreign corporation. Often the machines are leased, rather than sold, particularly where Canadian-owned plants are involved.

The Science Council of Canada did a study for the federal government, which was published in October 1972 under the title "Innovation and the Structure of Canadian Industry". The Council did an in-depth investigation into the R&D sector in Canada. The report presents definite proof of the fact that industrial R&D is in a sorry state.

The non-ferrous range of metals are of strategic importance for industrial development. Because of an accident of nature, and not by reason of any technological ability, Canada has become a leading producer of these metals in their primary forms. Since we possess substantial mineral resources their development has been strongly emphasized. It is for that reason that we lead in exports of copper and nickel, and we owe our leading position in aluminum smelting to the natural conditions that make it possible for us to produce hydro-electric power at low cost. However, the Science Council study underlines a critical weakness in our industrial position in respect of these resources. The report says:

"If we look in more depth at our performance in the more science-intensive forms of these minerals we find...we are the world's largest producer of nickel, but we are net importers of stainless steel and manufactured nickel products, including 'cold climate' nickel-cadmium batteries; we are the world's second largest producer of aluminum, but we import it in its more sophisticated forms, such as etched and formed foil for use in capacitors and precision aluminum parts for use in aircraft; we are the world's largest exporter of pulp and paper, but we import much of our fine paper, such as backing for photographic film and dielectric papers for use in electronic components; we are one of the world's principal sources of platinum, but it is all exported for refining and processing and re-imported in finished forms; we are large exporters of natural gas and petroleum, but we are net importers of petrochemicals; and although we are the world's foremost exporter of raw asbestos fibres, we are net importers of manufactured asbestos products."

The Council placed emphasis on the point that these are not specially selected products in which Canada's performance is particularly bad. With the sole exception of platinum, they can be found among the ten products in which our export performance, in net terms, is the best. In a masterful understatement of fact, the Science Council declared: **"We seem to have been unable to harness science and technology in order to achieve our economic objectives."** Nor does the problem reside in the field of education. The report thoroughly documents the fact that Canadian educational standards are higher than most industrialized countries and equal to those of the United States. The fault lies with the economy and its dependence on the United States.

Canada stands as one of the very few countries in which less than fifty per cent of the total national R&D effort is made in the industrial sector. This trend became even more pronounced in the period 1963 to 1967. This comparison was made in a period when industrial research in Canada was performing at its best.

The Science Council suggests that this situation is responsible for the failure to develop Canada's full industrial potential. But that is like standing the thing on its head, mistaking effect for cause. American domination of the economy is responsible for weakness in the R&D sector, not vice versa. The American - and other foreign - parents of Canada-based subsidiaries own expensive, elaborate and excellently equipped R&D departments located at the home base, and they are not going to be curtailed or terminated in favour of centres in the branch plant area. So subsidies that were offered by the federal government as an inducement to encourage industrial research in Canada were simply ignored by the big corporations. The Council study goes on to say:

"Fifteen years ago we were developing highly sophisticated military aircraft, but the capability no longer exists; ten years ago we had some limited capability in automotive engineering, and today that multi-billion dollar industry providies virtually no stimulation to innovation in the industrial infrastructure; a little over a decade ago, a Canadian company designed and built a large computer comparable to the best available at the time, and that too has vanished from the scene; within the past five years, the development and engineering capability of our chemical industry has withered very visibly. The structure of our industry being what it is, the amount of engineering and design being done in Canada could well continue to decrease

as computers play increasingly important roles in engineering design and quality control."

To this list of corpses in the Canadian economy one can add the large merchant fleet that Canada constructed and manned in the war years, and the large-scale shipbuilding and ship-repair facilities that .were constructed along with the merchant ships, almost all of it long since buried. Canada boasts of being one of the great trading nations of the world, but it neither owns nor operates a single deepsea ship. Of course Canada needs no water transport facilities to ship her resources to the United States - except for iron ore barges on the St. Lawrence Seaway, and they are owned by American companies.

These problems are aggravated by the tendency of American parent corporations to export supplies to their Canadian subsidiaries, the U.S.-based companies supply 87 per cent of the needs of their Canadian affiliates, compared to 13 per cent for plants affiliated to companies based in countries other than the United States. This condition is all the more critical because of the dominant position occupied by American companies in the economy of Canada. The Science Council reported that:

"when we examine the nature of our exports, we find that we mainly export raw materials and/or resource based products, while importing mostly manufactured goods, particularly those which have a high knowledge content...we are the world's leading importer, on a per capita basis, of manufactured products.

"Even more significant than the absolute magnitude of imports are the trends. In almost all of the key sectors...the level of Canadian imports has-risen and our trade balance has deteriorated."

COMPARATIVE PURCHASE OF IMPORTS 1969
(.U.S. $s per capita)

Canada	**463.75**
Australia/New Zealand	**236.38**
Britain	**149.46**
U.S.	**116.23**
Japan	**38.31**
EEC	**239.17**
World average-all countries	**49.43**

Canada imports nearly twice as much as anyone else, and on the basis of the world average is out of sight at close to ten times the average per capita imports. Japan, which is densely populated and compelled to import enormous quantities of raw materials to supply its industrial capacity, imports on a per capita basis, less than one-tenth the volume of manufactured goods imported by Canada.

The image that emerges from this is scarcely that of a highly developed independent nation. It is more in the character of under-development that one encounters in the general run of 'Third World' countries. Of course, the image is obscured by the particular form of our relations, and our many similarities with the United States. It is obscured particularly by our relatively high living standards. On this basis some people conclude that Canada is not an imperialized but an imperialist country. But that is an economist position which clearly suggests that imperialism can be eliminated by simply improving incomes, by an economic struggle for the improvement of wages and working conditions.

These foregoing facts raise some substantial doubts about Canada's alleged status as an independent nation. It is. not just that Canada's is a 'dependent' economy. That is anj overworked cliche that explains very little, hardly representing a real description of the Canadian situation. Canada is something less than a dependent economy, having deterioi ated to a condition of service in the interests of th economy of one of the world's two superpowers, by whor we are economically, and to a certain extent, politicall dominated.

In an interview granted **Macleans Magazine** on th occasion of celebrations in honour of 'Centennial Year', whe Canada was marking one hundred years of 'independence Prime Minister Pearson revealed at least some of the **politic)** consequences that arise from the fact of **economic** dominatio by the U.S. The Prime Minister remarked that **"we can ignore the fact that the first result of any open breach with tl United States over Vietnam, which their governmei considers to be unfair and unfriendly on our part, would be more critical examination by Washington of certain spec! aspects of our relationship which we, as well as they, g great benefit."**

On being confronted with the challenge that his attitud reflected a situation very little different from satellite statui Pearson reluctantly agreed that **"Is not a very comfortir thought, but, in the economic sphere, when you have sixi per cent or so of your trade with one country, you are in position of considerable economic dependence."**

Note that Pearson did not defend Canada's Vietnam polii as being in Canada's interest, or morally defensible. On tl contrary, the attitude of the Prime Minister indicated that 1 had at least some apprehension as to the morality of tl government policy in this area. The sole factor determinii Canadian policy towards Indochina was our 'considerab economic dependence' on a single big power - the Unit States. That can not be defended as an independent action an important item of foreign policy, and since then o situation has become even more 'dependent' to use N Pearson's antiseptic terminology. In **American Capital a Canadian Resources,** H.G.J. Aitken says:

"If Canada wants the United States to do something, s must be able to prove it is in the national interests of I United States to do it."

And later in the same work, Aitken adds that success Canada is likely, only when she is able to **"associate 1 interests with the interests of particular groups in the Unii States who, for their own purposes, are prepared to supp policies which Canada also supports."**

This was true of the St. Lawrence Seaway, which American support only when it became necessary to movement of iron ore concentrates from Quebec-Labradoi the steel mills in the U.S. It was true also of the 'Auto Pa which happened to benefit Canada marginally for a yeai two at the start. That the situation in this regard has chanj rather drastically for Canada is evident from a **Vancouver** I report (January 19,1977), which reveals that Canada suffe a $737 million deficit in 1976, caused by an excess of a parts imports over car and parts exports. Even that was "improvement" over the previous year when the deficit topped $1.39 billion.

Participation by the major American automobile manufacturers as formal signatatories to the Pact between the governments of Canada and the United States, setting out conditions for trade in the continental auto industry, is probably the most dramatic evidence of the fact that trade talks, normally conducted between the representatives of two countries, in the situation of Canada's economic relations with United States corporations, entails joint negotiations between the two governments and the corporations immediately concerned. There could hardly be a more clear illustration of the indivisibility of economics and politics at the highest level. And an incident related to the auto agreement sheds additional light on the political aspect of economic problems.

At the same time as the negotiations leading to agreement on the Auto Pact - in the mid sixties - the Canadian government had under consideration a proposal for ending special privileges granted the American publications, **Time** and **Readers Digest,** which between them possessed 60% of periodicals advertising revenue in Canada. With the editorial product already paid for in the United States, **Time** was able to harvest a golden crop of $6.5 million in Canada in 1966. Senator O'Leary, who recommended that advertising inserted in the 'Canadian' edition of **Time** should cease being deductible for tax purposes, declared that **"It may be claimed that the communications of a nation are as vital to its life as its defences and should receive at least as great a measure of protection."**

But owner Henry Luce carried more weight in Washington than any Canadian government could possibly muster, with the result that the Auto Pact negotiations were linked to the **Time-Readers Digest** issue, with no less a person than President Kennedy informing the Prime Minister of Canada, that **Time** must be exempted from any legislation arising from the O'Leary report as a condition of the United States signature on the agreement on auto production. A discomfited Walter Gordon said that "in the circumstances, the decision to grant the exemptions was realistic", and he went on to add "explaining the reasons to the Liberal Party caucus was one of the most unpalatable jobs I had to do during my period in the government." Later, in A **Choice for Canada,** Gordon wrote that **"approval of the automobile agreements might have been jeopardized if a serious dispute had arisen with** Washington! **over** Time." However, once it had become apparent that Canada would gain nothing from the auto agreement action against **Time** and **Readers Digest,** it was revived and proceeded with.

The lesson is obvious: Sovereignty is not compatible with branch-plant status. The greater the degree of foreign ownership and control of a country's economy, the narrower will be the freedom of choice in matters both political and economic. Canada, with the greatest amount of foreign direct investment of any country, has a very narrow range of choices indeed.

Extra-territoriality has generally been recognized as the mark of a colonial type relationship. There are two clear instances of extra-territoriality in U.S.-Canada relations that are manifested in the application of United States legislation to Canada through the agency of branch-plant industry.

From the early part of the century, United States anti-combines statutes have been directly applied to the Canadian situation. The most notable cases are the aluminum, asbestos and chemical industries, and in public utilities the case of Bell Telephone. The question here is not whether the judicial and legislative rupture of a combine is a good or a bad thing. The point is that changes affecting Canadian industry were ordered by legislative committees of a foreign government, and put into effect. The decisions were handed down and enforced wihthout even the pretense of a discussion with the Canadian government. Only U.S. interests in the matter received consideration. These constituted clear cases of foreign **political** committees making **political** decisions that directly affected the Canadian economy. »

Still other instances of extra-territoriality related to 'cold war' objectives, were even more blatant in nature. These were concerned with the U.S. 'Trading with the Enemy Act'.

Canadian subsidiaries of United States companies are prohibited by American legislation from doing business with countries which the President of the United States has designated as 'enemy states'. Because of this particular instance of extra-territoriality, Ford of Canada could not sell trucks to China, U.S.-owned flour mills in Canada could not fill Cuban orders for Canadian flour milled from Canadian wheat, and American-owned drug firms could not accept orders for drugs to be shipped to Vietnam. The potash industry, dealing in a Canadian staple but owned by American investors, had to petition the President of the United States for special permission to fill an order from China.

It is not difficult for one to perceive the damage done to the economy and to Canada's standing and reputation in other countries. It is likely that many export deals were not even broached because the country concerned assumed that the U.S. would veto it. Canada was allowed to sell its wheat to whomever it pleased, but only if it had not been milled into flour in an American-owned mill. But even the wheat sales were subjected to noisy criticism and complaints from Washington.

In an effort to allay a rising tide of protest against this indignity to the nation, prime Minister John Diefenbaker and President Eisenhower met on Julyu 9, 1958, and agreed that the governments of the two countries would consult when policies and laws governing exports appeared to be in conflict. In effect, this meant that the U.S. administration would inform the government of Canada when Canadian export policies seemed to be in collision with American laws on the matter. (The extra-territorial nature of American laws were not altered). It was hoped that this would elminate any public display of annoyance or disagreement and so allay suspicions that Canada's soverignty was being violated by its powerful neighbour.

American investment guidelines (a program by the Johnson administration aimed at reducing investment abroad), imposed under pressure of events in Vietnam, contained serious economic consequences for Canada. We do not propose to challenge the right of another country to control the flow of funds going out of the country. We are simply pointing out the fact that where a country, like Canada, finds itself in a situation wherein a foreign power can dictate investment policy, dividend policy, and the purchaisng policies of the greater part of its commodity-producing industry, that country has effectively relinquished control over the operation of its business sectors.

At the time that United States guidelines went into effect American investment in Canada was being almost entirely financed internally, by means of undistributed profits, depreciation funds, and loans from Canadian banks. Before the end of the sixties only five per cent of the capital for investment was coming from American sources. But the United States economic guidelines were to affect not only the five per cent that represented actual United States funds, they were to affect **all** funds except for the small percentage raised through Canadian bank loans. Eric Kierans underlined the high politics involved when he declared that **"We are no longer deaing with the large numbers of economic theory but with a single directing voice: not with the disparate independent decisions of thousands of businessmen but with hard government policy."**

The government of an independent country with a highly developed banking system should be able to influence the level of economic activity and prices by the exercise of fiscal and monetary policy. But how could it be possible for Canada to operate fiscal controls when the investment decisions affecting the major part of its industrial sectors are controlled by the United States Treasury Department.

Canada was granted an exemption from American guideline restrictions, but only after the Canadian government had agreed to the conversion of one billion dollars of Canadian exchange reserves into United States securities. This sum represented one half of current reserve holdings which the Canadian government would be able to call on only at the discretion of the United States Secretary of the Treasury.

Nor was that all. In exchange for unrestricted access to the capital market of the United States, Ottawa consented to policing the balance of payments regulations for Washingtom by imposing its own restrictions on Canadian banks and other financial institutions, as well as on Canadian industrial enterprises. The Canadian government made it generally known that it did not wish overall foeign investment by Canadian corporations to increase to such an extent that Washington could claim that American companies were evading US regulations by channeling foreign investment through Canadian companies.

Canadian fiscal and monetary policies were harnessed in the interest of serving the United States treasury in an effort to close the balance of payments gap and protect the value of the United States dollar. This can only be seen as the classical situation of a colonial economy.

Thus far the evidence is for the most part on the side of declaring Canada a puppet of U.S. imperialism, unable to exercise any effective control over its affairs, either in the economic or the political sphere. An exception to this is Canada's capacity to determine policy concerning the movement of wheat. But a closer examination reveals that the Canadian bourgeoisie can be quite stubborn in defence of a sector of the economy that affects their very existence as a class with interests of their own.

Over the years Canada has defended its banking system from any serious threat from foreign competition, by means of restrictive legislation respecting financial institutions. Although Canadian banks have operated in the United States and elsehwere abroad for more than a century, the Canadian bourgeoisie has consistently refused to allow foreign banks to operate in Canada, which is a striking contrast to the more permissive attitude towards other sectors of the economy.

The Rockefeller-controlled Citibank of New York attempted to penetrate the defences surrounding the Canadian banks with purchase of the small Mercantile Bank and a proposal to expand its assets. The Rockefellers pursued this objective despite prior warnings from the Canadian government that permission to proceed would not be forthcoming. Citibank went ahead with the purchase, undoubtedly emboldened by past experience such as the **Time** affair, and encouraged by the knowledge of the economic and political strength of the Rockefellers and their ability to enlist the full support of the United States administration, before which the Canadian government would surely retreat as it had done in the past.

A sharply-worded diplomatic protest from Washington was handed over in Ottawa, informing Canadian authorities that the country's banking legislation was 'unacceptable' to the government of the United States. Threats of dire economic and political consequences considerably more far-reaching than refusal to sign the Auto Pact, accompanied the note. But even threats to deprive Canadian banks of access to clearing facilities in the United States, were unsuccessful in getting the Rockefellers' permission to establish their bank in Canada. In the end it was Rockefeller and Citibank that had to retreat, and they were compelled to bargain for the opportunity to sell their holdings in Mercantile on terms which would do something towards minimizing their loss.

We have cited ample evidence to demonstrate that in some respects the Canadian bourgeoisie is not a puppet of the American imperialists. On the other hand, refusal to retreat on an item of vital significance to the Canadian capitalist class - the Canadian banking system - shows that they are willing to take a determined stand when they consider their existence to be at stake. The Canadian bourgeoisie has desires and aspirations separate from, and occasionally in conflict with, those of the dominant American imperialists.

Banks and the Canadian Bourgeoisie

Of all the nations that lay claim to being industrially advanced, Canada stands alone in the extent to which it subjects banks and other financial institutions to restrictive legislation. We have seen that it was on the question of banking legislation that the Canadian bourgeoisie refused to retreat before intense pressure from the United States.

The question naturally arises as to why Canada, which itself operates banks in many countries, should be so sensitive about foreign banks operating in this country. The proposed amendments to the Bank Act scarcely even give the appearance of permitting competition in this sector. In fact, the proposed amendments are mainly concerned with closing some revealed loopholes in the present legislation. The concern of the Canadian bourgeoisie over foreign banks in Canada has been ignored by CCL (ML).

CCL (ML) dogmatically proclaim that we are in the era of advanced monopolization in which finance capital, the merging of banking capital with industrial capital, is characteristic of the age, and since the Canadian economy is highly monopolized and somewhat industrialized, with an apparently independent bourgeoisie, it necessarily follows that Canada is in the stage of fully-developed finance-capital and imperialism. A concept which is descriptive of the **era** is, without further analysis, dogmatically applied to each **specific situation,** and questions such as the Canadian bourgeoisie's special concern about banks are magically made to disappear from sight. The Moore-Wells book fashioned this dogmatism into a theoretical system and Workers Unity (Toronto) published a lengthy article in Canadian Revolution, in which they argued that the theory was a well-established and unassailable fact of economic and political life in Canada. Workers Unity (Edmonton) offered a critique of the Toronto effort, from which it is worth quoting at some length:

"In discussing finance capital in Canada, Workers Unity [Toronto] claims that 'the creation of a finance capitalist oligarchy, based on the merger of bank and industrial capital [finance capital] is more and more evident.' What is then-evidence? It consists solely of the growth of assets of the major banks and the 'personal linkups' represented by the directorships in other companies held by directors of the banks. It is apparently assumed that a bank-corporate interlock represents a merger of capital, and/or that a bank

director involved [assumed to be an oligarch] exercises control of the corporation [especially if he is president]. Why? Lenin described such interlocks as one of the phenomena illustrating the merger of capital, but not the proof of it. Having interpreted Lenin as considering the banks 'the controlling arm of finance capitalism' they conclude that this is the case in Canada and hence [it seems] that bank directors are controllers. But if the banks are to be considered a 'controlling arm', it must be shown what they control and the mechanism **of this control. This would mean showing, for example, that through their securities holdings they have a controlling interest or effective club over various corporations [in spite of laws to prevent this] and/or that their power to control the money market enables them to coerce where they do not have control, and/or that specific interlocks involve men who actually control the blocks of capital involved [i.e. ownership] and so on. The proof that various capitals were merged would involve identifying the major blocks of capital in the country and demonstrating their inter-depen dence, their real functional interlocks. This would serve to identify any actual oligarchy, its extensiveness, etc. Workers Unity [Toronto] does none of this. Instead of a 'concrete analysis of concrete conditions', or a genuine theoretical discussion, they have opted for a superficial corelation of data with an abstracted 'criteria' from Lenin."**

A lengthy article by Workers Unity (Toronto) subsequently appeared in an issue of Canadian Revolution, but they never took up the challenge from the Edmonton group. The problem is simply too complex for CCL and Workers Unity (Toronto), accustomed as they are to dealing in trivia and superficial phenomena. The fact that there is evidence of a Canadian bourgeoisie operating the state apparatus, the existence of a highly monopolized banking system, an observable interlock of directorships between the banks and industry, that Canada exports capital, and this being the era of finance capital and imperialism, are sufficient to 'prove' that Canada is imperialist in character. No need for further investigation and analysis. The problem is satisfactorily resolved. However, the fact still remains ***that*** the Canadian bourgeoisie, for some reason not revealed by CCL is highly protective of their monopoly banking system.

It has often been said, and the saying is most relevant to the Canadian situation, that banks handle other people's money. So far as Canada is concerned the 'other people's money' that the banks handle is the property of the large corporations, which are mainly foreign and chiefly American owned. It is the corporations that control savings and make the decisions as to their disposition'. That is a privledge that the corporations are not likely to surrender to the Canadian bankers. Elsewhere we show the modest percentage of funds provided by the banks by way of loans to United States branch plants in Canada. The peak amount in this category is seventeen per cent, the remaining eighty-three per cent being accounted for by funds controlled by the American industrialists in Canada. However hard they may try the CCL will never be able to transform that modest seventeen per cent in loans into a merger of banking and industrial capital, in which the Canadian bankers exercise control.

Canadian bankers are, in the main, bankers to American industrial capitalists and, to reiterate a point previously made, Canadian bankers on the boards of U.S. corporation subsidiaries in Canda have no say in the global plans of the American corporations, that is the decisive point - and Canada is but one part to be fitted in with these global plans. Canadian bankers on the boards of U.S. corporations are there so they may more efficiently serve American interests, both in this country and abroad. Anyone who cannot understand that simple point - that the branches of American global corporations in Canada are not the play things of a handful of Canadian bankers - will never be able to understand the real position of Canada in world relations, and specifically in its relations with the United States.

As Workers Unity (Edmonton) has correctly pointed out, if a bank is to control an industrial corporation then the assets of the banks will show a considerable holding of industrial stocks and securities. There is, in fact, fairly conclusive evidence that Canadian banks do **not** have such items listed among their assets. The Royal Commission on Canada's Economic Prospects, in the section of their report on "The Banking System and the Money Market" gives a listing by percentage, of the disposition of the Canadian assets of Canadian chartered banks for the year 1957. These assets, according to the Commission, totalled $12,286 million, and the percentage distribution was as follows:

Bank of Canada deposits	**7.1%**
Day-to-day loans	**1.7%**
Gov't of Canada Treasury bills	**6.6%**
Gov't of Canada bonds	**11.6%**
Canadian loans	**44.0%**
Residential mortgages	**4.8%**
Prov. Gov't securities	**2.3%**
Munic. and school dist. securities	**1.4%**
Corporate securities	**4.1%**
Other assets	**16.4%**

The sector on Canadian loans is broken down to show that only one quarter went to 'industrial loans'. This modest amount, taken together with the 4.1 per cent listed for corporate securities, can scarcely be accepted as evidence of 'control', or in any way indicative of a capital merger. The assets of Canadian banks - which, incidentally, represent in large measure obligations to depositors, mainly corporate bodies - have grown enormously in the twenty years that have passed since these percentages were compiled. However, there is no evidence to indicate any substantial change in the pattern of distribution. Indeed, it is hardly possible that it could change since United States control has expanded rather than retreated.

The fact is that there has been a historic division of roles within the Canadian economy, that is not to be found elsewhere. The Canadian bourgeoisie has concentrated on banking, the infrastructure, service industries and, of course, is in charge of the state apparatus that undertakes to maintain the status quo in class relations. Foreign investments, nearly ninety per cent American, have control over industry and resource exploitation. This has been a secure and profitable arrangement for the Canadian bourgeoisie, and not less so for the American imperialists. The two are joined in a relationship that often results in minor irritants, but its fundamental basis is never in any danger of dissolution by any action on the part of either partner to the arrangement.

The economic base, and therefore the real foundation, of the Canadian capitalist class is rooted in the highly monopolized banking system. Keeping control of banking is a question of the survival of the class, therefore the Canadian bourgeoisie institutes extraordinary measures to ensure that the banks do not fall into alien hands.

Earlier we pointed out that the capital central to the economic life of the country, and handled by Canadian banks, largely belong to American companies. So long as the Canadian bourgeoisie successfully retaiins control over the banking system, the worst that a foreign corporation can do is move its financial affairs from one Canadian bank to another. That could conceivably ruin one or another bank, but it would leave the class intact and in control of the situation. But suppose the foreign corporation could take its financial business out of Canadian hands, placing it in the care of a foreign bank, probably one controlled by the corporation itself, then the economic base of the Canadian bourgeoisie is destroyed and the class itself eliminated. This is the secret to understanding why the Canadian capitalist class is so protective of the country's financial institutions. It is the key to understanding why the Canadian ruling class would not retreat under the most extreme threats from Rockefeller and the United States government in the mercantile bank affair.

The main Rockefeller holdings in Canada consist of Imperial Oil Ltd, (assets nearly $3 billion and 1975 sales over. $4 billion) and Metropolitan Life. Obviously this represent a big slice of business for any bank. Rockefeller has exclusive banking connections with the Royal, Canada's largest bank, and representatives of Imperial Oil and Metropolitan Life sit on the board of directors of the Royal.

If Rockefeller interests had been successful in setting up a banking service through the purchase of the Mercantile, it is logical to assume they would have chosen to handle their own banking affairs in Canada, as they do in the United States. That way they would collect the banking fees that now go to the Royal.

Because the economy, except for financial institutions and services, is dominated by American imperialism, if foreign banks were permitted to operate in the country without restriction, Canadian banks would be very quickly undermined. The whole economic base of the Canadian bourgeoisie would be totally ruined. That is precisely why the Canadian ruling class so staunchly defends its control of the banking system. If they had complete control of the economy, if there was a merger of banking capital with industrial capital (as Workers Unity (Toronto) claims protective measures would not be necessary. Canadian industrialists would naturally trust their financial affairs to Canadian banks - their own - so that foreign bankers could not intrude to any significant degree, making highly restrictive legislation unnecessary. In the existing economic situation, Canadian bankers will not encourage a merging of banking and industrial capital, but will resist such a movement to the bitter end.

Is the Canadian Bourgeoisie Struggling for Independence from US Imperialism?

One of the reasons why a country like Canada is so valued by the Americans is that it is one of the few stable and friendly countries with extensive undeveloped resources as well as a growing market. As such, no expensive support system to guarantee easy access is required. The American state has been satisfied that the Canadian state is capable and can be trusted to protect U.S. property here. L.B. Pearson stated quite clearly the relationship which the Canadian state has with the American imperialists. He said, **"The** U.S. **is** vital to our **progress and our prosperity, Americans have $18 billion invested in Canada; they should be thankful there is a good government running the country to ensure you can get a good return on that investment."** (Vancouver **Sun,** June 8, 1964. Speaking at the 55th Annual World Convention of the Rotary International in Toronto). The reason for the climate of friendliness is found in the special role of the bourgeoisie and their relations with U.S. imperialism, a subject which is elaborated in other sections of this paper. Social democrat Cy Gonick encapsulates correctly the historical relationship in the following:

"Contemporary Canadian governments continue in then-traditional roies of providing the economic infrastructure upon which business can construct profitable enterprises. The building of the St. Lawrence Seaway, the James Bay Hydro-electric Project, northern roads and air strips and the financing and subsidization of oil and natural gas pipelines are all variations on the theme of the CPR." [39]

Decline in US Investment

The CCL(ML) has asserted that:

"American investment, which proportionately increased steadily since 1930 and stabilized in 1963 is now in the process of decline.

"...It is in the areas of mining and refineries, however, that the Canadian bourgeoisie has most benefited from the American decline - from 56 per cent in 1967 to 43 per cent in 1974." *m*

The League obviously has a preconceived notion of what they want to be happening in Canada and are not going to let anything stand in their way. The reason for the apparent decline in U.S. ownership of mining was due almost solely to the fact that Alcan, INCO, and their subsidiaries were reclassified by Statistics Canada from foreign to Canadian control.

In 1972 Alcan was defined by Statistics Canada as being as Canadian rather than U.S. controlled corporation. However, the 1975 Annual Report from Alcan says that 42 per cent of the company's shares are owned in Canada, 43 per cent in the United States, and the remaining 15 per cent in other countries. But even this figure of 42 per cent requires some qualification. The chief officer of Alcan, Nathaniel Davis, is a resident of Canada and as such his shares are classed as 'Canadian Owned'. If fact, Davis is a member of the Philadelphia family associated with the Mellons in the ownership of such corporate giants as Alcoa, Pittsburg Plate Glass, GulfOil, and Westinghouse Electric. Davis moved into Canada to assume control of Alcan only after a U.S. anti-combines commission ordered Alcoa to divest itself of the Canadian operation. Obviously, Davis represents American, not Canadian, interests.

Between 1971 and 1972 INCO was also reclassified from foreign to Canadian control. Statistics Canada had concluded that over 50 per cent of the shares were owned by residents of Canada. This may well be true, although a conclusive investigation of the actual control of INCO is yet to be done. For the time being, it should be noted that, depending on the nature and distribution of the shares of a company (common stocks as opposed to preferred; lots of small investors or several large blocks; use of holding companies), it is not only possible but common to control a large corporation with less than 10 per cent of the equity. Anyone who thinks that the Canadian bourgeoisie is going to wrest control of the industrial sector of the Canadian economy from the U.S. imperialists by the simple device of gradually buying up the U.S. direct investment in this country is dreaming the impossible dream.

In 1969, 1970, and 1971 respectively 82 percent, 78 per cent, and 97 per cent of the funds for investment by 970 foreign corporations in Canada were generated internally by the corporations themselves. U.S. direct investment was almost 80 per cent of the total direct investment in Canada in those three years. These statistics show that it is no longer necessary for American imperialists to import capital from the U.S. to increase their investment. U.S. controlled investments in the non-financial industries rose from $25.5 billion in 1970 to $30.1 billion in 1973. Not only do profits made from exploiting the Canadian proletariat save them from having to export capital to Canada, but in addition some of these profits are drained out of Canada and exported to other countries to support U.S. ventures. These investments are generally labelled as Canadian external investment. However **"at the end of 1970 non-resident equity in Canadian direct investment abroad amounted to $2,711 million, equivalent to some 44 per cent of the total Canadian investment abroad." [41]**

Aside from the fact that U.S. investment continues to grow inside Canada, another important aspect of U.S. direct investment is that it has always been concentrated in the surplus producing sectors of the economy and restricted from the financial sectors. (U.S. investors went after resources because of necessity - into manufacturing in response to tariffs.) CCL(ML) talks about the erroneous conception of reducing **"the economy to merely industrial production rather than considering all the forces of production involved in the areas of production, exchange and distribution"** and by **"taking the total proportion of capital owned by each nationality in each sector and averaging them out" [42]** i they concluded that **"66 per cent of the following sectors taken as a whole: manufacturing, petroleum and natural gas, refineries, mines, railways, public service, commerce and construction"** [FN] are controlled by the Canadian bourgeoisie. In the following table one can see more graphically where these statistics come from.

What these statistics illustrate is that the bulk of foreign (mainly U.S.) control of the economy is in the surplus producing sectors of the economy, where they control 52 per cent of the capital. The supporting infrastructure such as railways, utilities and construction are in the hands of the Canadian bourgeoisie.

It is the CCL(ML) that has the erroneous conception. For even though the numbers add up to 66 per cent, the American corporations are still in the hands of the American bourgeoisie and they aren't about to be bullied by statistics.

U.S. imperialism controls most of the surplus producing sectors of the economy and because of this quality and quantity of control, they dominate the Canadian economy. They are therefore an **internal** force despite the fact that Canada is not occupied by the American army and the Canadian state is largely in the hands of the Canadian bourgeoisie. Furthermore, there is no need for them to occupy Canada because the Canadian bourgeoisie's policies generally serve the interests of American imperialism. What benefits the Canadian bourgeoisie in Canada generally benefits American imperialism.

Foreign Investment Review Agency

"American imperialism remains a very strong force in Canada despite the limited attempts to control its penetration **[such as laws to assert banking control and the foreign investment review board]." [43]**, (our emphasis)

The Foreign Investment Review Agency is cited by the CCL(ML) as a **"limited attempt"** by the Canadian state to control the penetration of American imperialism. FIRA was set up by the Liberal government in 1972 supposedly to be a restraining factor on foreign investment and take-overs. This legislation was introduced to gain public support at a time when the Liberals' position in government was very tenuous. However, in practice, this Agency has acted as a funnel for foreign (mainly American) direct investment coming into Canada. In fact, Joe Clark has stated that under the Conservative Party the FIRA would openly be a funnelling agency as opposed to pretending to be a restraining factor on foreign investment. From May 11, 1976 to September 28, 1976 there were 86 applications put before the Agency for takeovers or for the establishment of new businesses by foreign corporations and 80 were allowed. Some control!

The Bank Act, on the other hand, was meant to be a restraining factor on foreign influence in the financial sector.

TOTAL AND PERCENTAGE OF CAPITAL CONTROLLED BY:

Sector of the Economy	Total capital Billions	Can. Gov't.		Can. Priv. Enterprise		U.S.		All others	
Manufacturing	$25.0	$0.4	2%	$9.4	37%	$11.7	47%	$3.4	14%
Petrol. & Nat. Gas	$12.4	$0.3	2%	$2.7	22%	$7.5	61%	$1.9	15%
Mining and Smelting	$6.5	$0.1	1%	$1.9	29%	$3.9	59%	$0.7	11%
Railways	$5.9	$4.3	73%	$1.5	25%	$0.1	2%	--	
Other Utilities	$21.4	$14.7	69%	$5.3	24%	$0.8	4%	$0.6	3%
Merch. & Construct.	$19.7	$0.1	1%	$17.2	87%	$1.5	8%	$0.9	4%
Total	$90.2	$20.0	22%	$37.9	42%	$25.5	28%	$7.5	8%

Source: ***Canadian International Investment Position 1968-1970***

Nothing in the 1976 amendments to the Bank Act will alter the relative position of the 'Big Five' banks. However, what they will do is enable the financial bourgeoisie to get a firm grip on a system that has been developing beyond control. About 40 foreign banks had 'representative offices' in Canada and were operating more or less underground. These amendments bring these operations out into the open making it possible to more easily control their growth. New foreign bank subsidiaries will be limited to about $500 million in assets which is less than one twentieth the size of the existing major banks. To be allowed to expand, they would have to agree to limit foreign ownership to 25 per cent.

Why does the Canadian bourgeoisie take different approaches to foreign influence in different sectors of the Canadian economy? To fully understand this it is necessary to look at the relationship which exists between the banking and commercial sector and the industrial sector. In the introduction we describe this relationship as one where the non surplus producing sectors of the economy - banking and commercial sectors - were dependent on the surplus producing sectors - manufacturing and resource extraction. The Canadian bourgeoisie would fight to protect its class interests in the banking sector and at the same time would not try to do anything to threaten the continued presence of U.S. corporations in Canada.

While it is true that the U.S. corporations would prefer to use their own financial institutions, the economic base of the Canadian bourgeoisie is in the commercial and banking sectors of the economy. Their existence depends on their continued control of this sector. If the U.S. bourgeoisie decided to take over these sectors, the Canadian bourgeoisie would have no alternative but to fight to the finish. The Canadian bourgeoisie is not going to capitulate in areas which if they did would threaten their existence. A recent illustration of this was an attempt by the First National City Bank of New York to take control of and expand the Mercantile Bank. The Canadian bourgeoisie quickly blocked their efforts and refused to back down. (We have gone into this in more detail earlier in this pamphlet.)

There are too many advantages facing the American imperialists in leaving the situation alone. The Canadian bourgeoisie takes care of governing the country and maintaining a stable economy. As well, the Canadian people would resist an attempt by the U.S. to seize state power which they would have to do to take over these sectors. The minor disadvantages involved in dealing with the Canadian financial and commercial bourgeoisie are compensated for by having a friendly and accomodating state and bourgeoisie in Canada.

Canadian Trade

In Vol. 1, No. 4 of the **Forge,** CCL(ML) states:

"The recent trips by Prime **Minister Trudeau and External** Affairs Minister Alan **MacEachen to Latin America and the** Middle East mark **a positive development in Canada's foreign** policy. The signing **of agreements of co-operation with third** world countries **and declarations of the necessity to establish** a 'new world economic order' were **some of the good results."**

"Canada is trying to show its independence from the superpowers."

"The visits by Trudeau **and MacEachen certainly service the** interests of the Canadian **monopoly bourgeoisie, exportation** of capital, opening new **outlet for its products [and, by the** same token, making Canada**'s trade less dependent on the** American market.]"

"The EEC - Canada agreement is an important part of the Canadian bourgeoisie's 'third option'. The 'third option', formulated a few years ago, Is a compromise solution adopted by the bourgeoisie to deal with the fundamental choice facing them: either Canada's servile submission to U.S. imperialism or real independence."

"The 'third option' boils down to seeking to reduce Canada's dependence on U.S. imperialism by increasing trade with countries of the second and third worlds - as witnessed by Trudeau's recent trip to Latin America and MacEachen's to the Middle East."
i[44] (our emphasis)

In Struggle! puts forward a similiar position about the Canadian bourgeoisie's attempts to diversify their markets in **EN LUTTE! ENGLISH DIGEST, Vol.** 1, **No.** 3:

"...the Canadian bourgeoisie is trying to diversify its markets and find sources of raw materials [petroleum, sugar, etc.]. The reason for this is that 60 per cent of Canada's foreign trade is with the U.S. and this creates too great a dependence towards the American superpower."

One has to examine Canadian trade policy with the aim of determining whom it benefits. The Canadian bourgeoisie and the state which represents it realize that it is in their interests to maintain jobs for Canadian workers. Not only do they realize the possibility of massive resistance which would threaten their control of state power if the economic crisis deepens, they know that the American bourgeoisie would not hesitate to move its army into Canada if it felt its interests weren't being adequately protected.

The elimination of Commonwealth preferential tariffs when Britain entered the EEC meant Canada's access to low tariff markets were drastically reduced. It was necessary to find similarly advantageous markets in order to maintain a growing and stable industrial economy.

The recent agreements made with the European Economic Community have been cited as an indication of Canada seeking to reduce its 'dependence on US imperialism'. The formation of the EEC drastically reduced the low tariff markets which were available to Canada. When Britain joined the EEC it phased out its preferential tariff. This meant that Canada lost its priveleged position in the markets of Britain. In March of 1972 Canada approached the EEC about establishing a trade agreement. Such an agreement would be the first between the EEC and any industrial developed nation outside Europe. (They refuse to make any kind of agreement with the U.S.) This would improve Canada's access to European markets for manufactured goods and pave the way for increased European investment in Canada. The stumbling block to the agreement was Denmark which opposed completion of the agreement, urging that Canada promise to allow Common Market countries access to raw materials, including oil, on terms as favourable as those applied to any country including the U.S. But Canada hedged. In the end, Denmark withdrew its opposition when both sides agreed that Common Market insistence on access to raw materials was agreed to in principle.

U.S. subsidiaries in Canada will have access to these markets in the EEC through this agreement. They will be able i to take advantage of the EEC arrangements as they did the preferential markets of Britain. One of the crucial points that convinced U.S. industrialists to invest in Canadian manufac-turning was ease of access - low duties - to Commonwealth markets. With Commonwealth preference disappearing, and ! nothing filling the gap, there existed not only the prospect of declining markets for manufactures, but also a very real danger of the phasing out lof U.S. manufacturing industry in Canada. On the other hand, access to the 'Common Market' through Canada would be an even greater coup for the U.S. than getting into the restricted Commonwe ilth market ever was. This made it essential that the Canadian bourgeoisie secure access to these markets since the existence of the Canadian bourgeoisie depends on the existence of these U.S. manufacturing and resource extraction industries in Canada.

In 1976 Trudeau and MacEachen made extensive tours throughout Latin America and the Middle East. The results of these trips can be seen in the new agreements signed by the Export Development Corporation (EDC) in September, October, November, and December of 1976.

The agreement covered loans, insurance and investment guarantees to support export sales of so-called 'Canadian' goods and services. (The EDC requires that the transaction being financed have a Canadian material and labour content of not less than 80 per cent and that the goods and services be exported from Canada. However, the companies don't have to be Canadian owned or controlled. In fact a substantial percentage of the trade assisted by the EDC went to American controlled companies.)

In order to clearly understand the implications of the EDC funding it is necessary to understand how the EDC works and who benefits from its operations. The EDC is a government agency whose role is as stated in their 1974 Annual Report, "to facilitate and develop export trade by the provision of insurance, guarantees, loans and other financial facilities". The EDC loans money to governments or companies in second and third world countries in order that they may buy goods from Canada. The fact that the EDC does not discriminate in favour of Canadian companies is shown in the following table. It illustrates that since 1972 U.S. companies in Canada have benefited significantly more than Canadian companies from the EDC funding of trade.

Percentage of U.S. and Canadian Companies from whom Commodities Were Purchased for Which the Export Development Corporation Provided Financing to the Purchaser

Year	U.S. Companies	Canadian Companies
1969	36.5	38.1
1970	31.7	37.8
1971	26.7	46.7
1972	50	7.1
1973	40.5	29.7
1974	41	28.3

As well as benefiting U.S. corporations in Canada, the EDC works quite closely with the financial sector of Canada. They specificallystate in their annual report for **1974** that:

"Another objective of the EDC is to continue to increase the involvement of Canadian banks and other financial institutions in the financing of capital goods and service exports that require EDC support. The Corporation does not compete with these institutions and seeks to be involved only when support is necessary to provide internationally competitive financing that is not available from commercial sources. In **1974,** Canadian banks were substantially involved with EDC financed transactions.... The continuing development of the export financing partnership between EDC and Canadian financial institutions will be an important priority of the Corporation during **1975." [45]**

Lenin pointed out that in the imperialist era, "The export of capital thus becomes a means of encouraging the export of, commodities." [46] Imperialist countries use a combination of capital exports and trade relations to create a pattern of dependence in the recipient country. A classic example of this is found in the relations between the Soviet Union and India.

A study by the Communist Party of India (M-L) states that "Soviet exports of capital generally cover the cost of machinery and materials to be purchased for specific projects. Once the project has been set up there are regular maintenance imports. Repayment of Soviet 'aid' also takes the form of export of the locally produced commodities." '[47]

An example is given of the cotton goods industry to reveal how the Soviets use capital exports and trade to dominate and exploit other countries.

"...the Soviets supplied Sudanese cotton [no doubt bought at 'concessional rates'] to Indian mills for turning these into textiles, the Indian compradores were paid a conversion charge of Rs. 16.5 crores. The entire output produced by Indian labour automatically accrued to the Soviet Union which, had provided the capital [though not all of it] and thus got the surplus value produced [minus the conversion charge].

"The net result of such deals is that the labour of the Indian proletariat will not even help the process of capital accumulation in India since the surplus value [minus the conversion charge] flows directly to the Russian owners of the capital with which they were given employment." [48]

This is a clear imperialist-colonial relationship. By controlling the movement of cotton into India and by controlling the Indian factories that produce the cotton goods through export of capital and hoarding of technical knowhow, the Soviets are able to force India to export its cotton goods production to the Soviet Union on Soviet terms as well as appropriate the surplus value produced in the conversion of the cotton to textiles.

The nature of Canadian trade is qualitatively different that this. The supply of finances by the EDC to various countries is simply a device to facilitate trade between those countries and Canada. Canadian trade is done more or less on the basis of exchange of equal values as defined by prevailing world prices. Canada is in no position to dictate terms to such countries as Venezuela, Argentina (need it be mentioned that Canada is losing in excess of $50 million on the sale of a nuclear reactor to this country?), Brazil, Poland, Norway, or Iran. Thes countries are among the recent recipients of EDC financing of trade. Nor are Canadian capitalists appropriating the surplus value produced in these countries through their trade relations.

These trade agreements which Trudeau and MacEachen established in early 1976 are quite representative of the international extension of the role the Canadian bourgeoisie plays internally. They are not, as the League claims, an indication that "Canada is trying to show its independence from the superpowers". These agreements made by the Canadian government with the Second and Third World countries are a good example of the Canadian bourgeoisie looking after its own interests while at the same time serving the interests of U.S. imperialism.

These ventures are imperialist to the extent that the Canadian bourgeoisie is creating markets for goods made in Canada. However, U.S. subsidiaries in Canada benefit from this capital export and it is Canadian workers who are exploited in this process. The dominant aspect of the role that capital export from Canada plays is not imperialist; it doesn't enable the Canadian bourgeoisie to become more independent from U.S. imperialism, but rather maintains the status quo.

Footnotes

[38] Workers Unity [Toronto] and CCL-ML have in the past declared that the Canadian bourgeoisie cannot be comprador since they have interests separate and apart from the imperialists. The exact status of the Canadian bourgeoisie will be dealt with below, giving clear examples of their relationship with the American bourgeoisie. But regardless of the outcome of that discussion, it should be quite clear that a class of compradors, although they cannot survive without imperialist support, do have separate class interests that can lead to friction under the imperialist yoke. Therefore, in that important point, CCL-ML and Workers Unity [Toronto] are wrong.
[39] C. Gonick, INFLATION OR DEPRESSION, James Lorimer and Co., Toronto, 1975.
[40] Statement of Political Agreement for thecreation of the CCL-ML, p. 38
[41] Statistics Canada, "Canadian International Investment Position 1968-1970", p. 29
[42] Statement of Political Agreement ... of the CCL-ML, p. 37
[43] Ibid, p. 38
[44] The Forge, Vol. 1, No. 7
[45] Export Development Corporation Annual Report 1974
[46] Collected Works of Lenin, Vol. 22, p. 244
[47] "Soviet Social Imperialism in India", pamphlet reproduced by the Indian People's Association in North America [IPANA]
[48] Ibid, p. 16

—TING (London Free Press)

Chapter 4
Is Canada An Imperialist Power?

One of the obstacles in doing an objective analysis to determine Canada's primary aspect-imperialist or imperiai-ized-is that it is almost axiomatic to equate development with wealth and high income, and under-development with poverty and low income. Gross National Product per capita is widely quoted as an indicator of economic development. On such a scale Canada is more highly developed than Britain, France or Germany. But it is necessary to dig well beneath the surface of bourgeois statistics and economic indicators in order to get at the reality of social relations. Imperialism, like simple domestic capitalism, is not a matter of income and living standards, it is a question of class relations.

Our analysis indicates that Canada, far from being an imperialist country in its own right, can best be described as the world's richest underdeveloped country. Its state of economic and political dependence cannot possibly be attributed to an unfavourable endowment of resources-Canada has an abundance and a wide variety **of** them. The situation is due entirely to the relationship of economic colony founded on a'division of roles'between Canadian bourgeois and American imperialist.

Old and New Errors

Whether or not Canada is an imperialist country is not a new question to the Communist movement in Canada. Recent positions advanced within the Marxist-Leninist movement on the question of Canada's alleged imperialist status, have relied on the same arguments put forward years ago in the Canadian Communist Party (now revisionist). This similarity was conscious with Workers Unity (Toronto), which quoted from Tim Buck to substantiate its line, advanced in **Canadian Revolution.** We assume it is also conscious on the part of CCL, as WU(T) omitted self-criticism **on** this point in its public statement when joining the League. For other comrades holding the line that Canada is an imperialist country, the similarity is perhaps not recognised.

In 1925, the Communist Party of Canada debated the question of Canada's position in the world. Later, basing themselves on questionable data and criteria brought back from the Moscow Marx-Engels-Lenin Institute by returning Canadian students, they adopted the stand that **Canada** was an imperialist exploiter of nations. They had concluded, correctly, that Britain's empire was **on** the decline **and** its economic hold and political influence over Canada was weakening. What they failed to grasp was the crucial point that North America had passed into the keeping of rising U.S. imperialism.

The Communist Party theoreticians began seeking out 'evidence', however tenuous it might be, that would 'prove' Canada's imperialism to their satisfaction. They were selective and uncritical in their choice of data, intent on proving a point, rather than in making an analysis from an historical perspective. Any data that tended to challenge the desired conclusion was ignored, while other data was used in the most thoughtless manner.

The analysis was careless and ignored an historical point of view. But some excuse can be made for the failure to detect the rise of American imperialism, which in 1922, for the first time displaced Britain as the dominant economic influence in Canada. But since 1945, the all-pervasive influence of imperialist America, as it grew to superpower status, is a factor that is too obvious to be ignored. It is an ever-present reality that confronts us with the necessity for serious study and analysis, to replace the constant juggling with superficial data that has been the feature of most of the articles that have appeared in recent years.

Both CCL(ML) and In Struggle! put forward the line that Canada is an imperialist country. CCL (Workers Unity, Toronto), in particular, rely on Tim Buck's kindergarten exercise in economics produced in the mid-twenties, in order to declare Canada an imperialist country. Both national groups thus mis-interpret the global significance of the Canadian situation and render a disservice to the international movement, as well as to the struggle in our own country.

Lenin's Imperialism - Used and Abused

In their support for the 'Canadian imperialism' thesis,, it is CCL(ML) who shout the loudest that they base their conclusions on Lenin's **Imperialism, the Highest Stage of Capitalism.** They make extensive references to the parts of **Imperialism** that seem best suited to their purpose which is to support their preconceived conclusion. To the comrades of CCL, we would suggest that it is not enough to simply invoke Lenin's name, using truncated quotes, to avoid the necessity of applying political and historical knowledge to develop an analysis. As Mao has said:

"Some people never take the trouble to analyse, they simply follow the 'wind' ... What we must study is all that is universally true and we must make sure that this study is linked with Chinese reality. It would lead to a mess if every single sentence, even of Marx's, were followed." [50]

It is only necessary to substitute Canadian for "Chinese" to have a criticism and advice to the dogmatists of the CCL(ML).

The general error that the League makes is to not see Lenin's analysis as one of an era, but rather to use it as a description of individual countries. Their intention of using Lenin's descrption of an era as a criteria for individual countries is clear when they state that their work is **"a brief overview of the development of Canadian imperialism using Lenin's five characteristics of imperialism". [51]**

The result of this mistake is that they do not understand that the presence of monopolies in some countries is a direct result of imperialist intervention. They fail to recognise the difference between imperialist and imperialised countries and consequently mistake an aspect of the Canadian political economy for its entire nature.

The League uses Lenin only selectively, whereas Lenin himself indicated that it would be wrong to restrict debate to the framework he set out in **Imperialism.** Lenin very clearly stated that his work was incomplete and limited in scope, and his criteria for imperialism inadequate, thereby clearly suggesting caution in using it. It seems reasonable to suggest that any study of imperialism, while correctly beginning with Lenin's work, must go beyond this to consider additional material. In the preface to the 1917 edition of **Imperialism,** Lenin wrote:

"I was not only forced to confine myself strictly to an exclusively theoretical, specifically economic, analysis of facts, but to formulate the few necessary observations on politics with extreme caution."

This was written some time after the initial appearance of the pamphlet, and so it would seem that Lenin, on re-reading the work, thought it necessary to emphasize the need for cautious use of its limited analysis. By doing this he was repeating a warning already included in the work. When introducing his five-point definition of imperialism, he expressed reservations regarding definitions in general and on the inadequacy of this definition in particular. Lenin's five points of defintion, which he says are included as "five of its basic features" are:

1. the concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life;
2. the merging of bank capital with industrial capital, and the creation, on the basis of finance capital, of a financial oligarchy;
3. the export of capital as distinquished from the export of commodities acquires exceptional importance;
4. the formation of international monopolist capitalist associations which share the world among themselves, and
5. the territorial division of the whole world among the biggest capitalist powers is completed."

It is obvious by reading CCL(ML)'s newspaper and pamphlets, that they ignore Lenin's warnings and take the definition as more than adequate. And while IS! criticises CCL for their **"erroneous conception of the method for studying the history of our country", [52]** in practice In Struggle! also applies Lenin's analysis in an incomplete and incorrect way, substituting their version of his work for a concrete analysis. This is true despite the fact that they give considerable effort in their recent **Proletarian Unity** to doing an historical analysis.

Both groups give lip service to the existence of all five points in Lenin's definition, and express agreement with them, but in practice they give only perfunctory attention to the last two. These two are important external factors, while the first three, the focal point of most of the discussion of Canadian 'imperialism', relate to exclusively domestic economic development.

In this respect the two groups repeat the errors of the CPC,whose position rested on three criteria: 1) that Canada had achieved a very high degree of mopnopolisation of the economy; 2) the fusion of banking capital with industrial capital to create finance capital had been fully realised in Canada; 3) Canada was an 'exporter of capital'.

We do not accept restricting ourselves to Lenin's 'criteria of imperialism' (as the League would have it), rather than doing a concrete analysis of Canadian development, but we do think it is important to point out major errors made by both national groups even **within** Lenin's definition. Accordingly, we will develop criticism of the limitations represented by this approach, as well as of the distortions employed in order to make the material appear able to stand up.

Lenin's definition includes the division of the world among the biggest capitalist powers, which he said was completed at the time he wrote **Imperialism.** What occurs now is not the division, but the redivision, of the world, which involves a confrontation with economically, politically, and militarily powerful imperialist nations. Each attempt at redividing the world involves an encroachment on the territorial interests of one or another imperialist-and that holds true whether it is an economic colony or a territorial colony. CCL, even on their own limited ground of Lenin's five 'criteria', have failed to prove that Canada is adequate to the task of claiming its 'just share' in the struggle for the redivision of the world. Nearly all of the attention of CCL and IS! is concentrated on the first three points in Lenin's definition, in the belief that if they prove these are applicable to Canada, **the other two points automatically follow.** This seems to flow from a misinterpretation of a statement by Lenin.

Following on the listing of his five points, Lenin gives a brief summary of the definition of imperialism, in a paragraph that reads, in part, as follows: **"Imperialism is capitalism at the stage of development at which the dominance of monopolies and finance capital is established ..."**

This would seem to be a **precise** formulation by Lenin since wherever it appears it is never varied in basic content. What is clearly being stated by Lenin is the concept that imperialism is realised only when capitalism has matured to its monopoly stage of development.

But CCL and IS! interpret this to mean that it is only necessary to show that monopolies exist in a country, along with finance capital, and instances of capital exports, and you have proved that a country is imperialist.

In other words, internal relations are cited as automatic and conclusive proof that a specific pattern of external relations has already been established. No additional analysis is required.

Thus in order to demonstrate the merging of banking capital with industrial capital in Canada, Workers' Unity (Toronto), since rallied to'CCL, is reduced to citing Buck's 1925 'evidence' which, among other things, claims that banking capital, in the person of Dominion Bank (now the Toronto-Dominion Bank) merged with industrial capital represented by the Ford Motor Company. Buck never answered the crucial questions of a) how was it possible for Canadian banking capital to merge with U.S. industrial capital? and b) did the alleged fusion of capital represent Canadian finance capital or American finance capital? 'Evidence' of the alleged merging into finance capital consisted of 'proof of a linkup through shared directors. Using 'evidence' of this sort one can prove that the Royal Bank has merged with Rockefeller Industrial capital, represented by Imperial Oil and Metropolitan Life, the bank linkup being established by shared directors in both companies. The Morgans, du Ponts, Mellons, Guggenheims, etc., can all be shown to have thus 'merged' with Canadian banking capital. On finance capital, Workers' Unity (Edmonton) in their critique of **Imperialism and Canadian Political Economy [53]** say:

"What is their evidence? (for proving the existence of finance capital in Canada) **It consists solely of the growth of assets of the major banks and the 'personal linkups' represented by the directorships in other companies held by directors of the banks. It is apparently assumed that a bank-corporate interlock represents a merger of capital, and/or a bank director involved ... exercised control of the corporation..." [54]**

In this way Workers' Unity (Toronto) established to their own satisfaction that Canadian banking capital had merged with U.S. industrial capital, resulting in the birth of some hybrid form of finance capital. And having convinced themselves that the highly-concentrated Canadian banking system is evidence of the dominance of Canadian monopoly, CCL only need show the export of capital from Canada, (no need to show that the capital is Canadian controlled) and their case on 'Canadian imperialism' is complete.

This error is substantially repeated by IS! in their recent **Proletarian Unity 3.** They take great effort to show the concentration of the industry into monopolies, apparently assuming this proves Canadian imperialism (even if the industries are not Canadian owned?).

On the question of finance capital, IS! is extremely unclear-that is, they clearly state it exists in Canada, but how or in what shape is quite confused. They speak of "Canadian financial capital **[55]** as the product of the fusion of Canadian bank and industrial capital'. However, their proof of this rests only on the existence of monopolies and interlocking directorships. But monopolies in industry and in banking can and do exist independently of each other. As for interlocking directorships, Lenin stated that:

"At the same time a personal union, so to speak, is established between the banks and the biggest industrial and commerical enterprises, the merging of one with another through the acquisition of shares, through the appointment of bank directors to the Supervisory Boards [or Boards of Directors] of industrial and commerical enterprises and vice versa." [56]

IS! (as do CCL - see their truncated quote, p 31, **Statement of Political Agreement** ...] completely ignore the acquisition of shares. They refer only to the exchange of administrators between banks and monopolies. By itself interlocking directorships prove only a common interest and not the merger of banking and industry.

The third factor-following **monopolisation** and the 'merging of banking capital with industrial capital' -.upon which rests the case of 'Canadian imperialism', is the export of capital. If this definition of imperialism is universally applied, then there is hardly a country in the western hemisphere that cannot be classed as imperialist in character. For example, Brazil engages in the export of capital to many places. In fact, at the time of writing this, Brazil is completing arrangements with U.S.-owned Kaiser Corporation for a 10% share in a coal deposit at Sparwood, B.C. We will have more to say later on the specific Canadian situation in relation to the import and export of capital. At this time we offer a few general comments on the topic.

Hobson, the bourgeois economist from whom Lenin drew much material, observed that capital export was a feature of imperialism. He suggested that the capital could be retained at home to increase the purchasing power of the people, thus rendering imperialism unnecessary. Lenin, on the other hand, observed that imperialism was an extension of capitalism at a certain stage of capitalist development, and would be ended only by the destruction of capitalism itself.

These studies appeared in the early years of the twentieth century, and were based on data from the turn of the century. That is, they were founded on an analysis of imperialism at its very beginning. Naturally since it was just starting out it was necessary to supply the colony with capital from the imperialising country, which had surplus capital to invest. The export of capital was, therefore, a distinquishing feature of the emerging imperialism.

The tendency is to view capital exports -as already representing the results of colonial exploitation, whereas they represent only the intent to exploit in that area. In point of fact, as it is surplus value produced and appropriated domestically, it represents the fruits of exploitation in the imperialising country.

The aim of the imperialists is to expand the base of capitalist exploitation and thus their capacity to expropraite surplus value. The suggestion that a diminishing capital flow represents a decline in imperialist domination-a point widely used in reference to Canada-U.S. relations- serves only to mystify the relationship, and misses the essence of the imperialist-colonial relationship.

Imperialism in its maturity clearly demonstrates that surplus value can be produced within the colony, which not only reduces dramatically the need for the export of capital to the colony, but can actually supply capital for export from the colony, in the form of dividends, fees, etc., to the imperialising country, or as exports to a third country, in addition to supplying the capital needed for expansion of the imperialist base within the colony itself. These are all characteristics of the Canada-U.S. relationship.

With single-minded concentration on internal phenomena, both CCL and IS! ignore how capitalism in the form of imperialism operates outside of the domestic arena. CCL (Workers' Unity (Toronto)) rely heavily on the Buck-CP thesis, quoting approvingly from a Buck article which contends that internal phenomenon are the sole evidence of imperialist characterisitcs:

"But, argue some people, Canada cannot be characterised as an imperialist state because she doesn't possess or exploit any colonies. That attitude is based upon a fundamentally erroneous conception of the basis, the political character, and the driving forces of finance-capitalist imperialism. Possession of colonies is not the test of whether or not a state is imperialist-the sole test is the structure and the level of development which characterises its national economy." [57]

But this position was and is quite wrong, and the fact that its application to Canada received the approval of the Communist International does not make it correct. The essential core of the Buck thesis is that you don't need to exploit anyone abroad to qualify as an imperialist, all that is required is the maturing of certain internal characteristics. CCL (Workers' Unity (Toronto)) agree with this. They agree with it in spite of the fact that they themselves, on the same page, have just quoted Lenin: **"Imperialism is a striving for annexations-this is what the political part of Kautsky's definition amounts to. It is correct, but very incomplete, for politically, imperialism is, in general, a striving towards violence and reaction."** (as quoted in article cited above). Lenin, it seems, did not dismiss the colonizing aspect of imperialism as do the 'Lenin' dogmatists.

While old style colonies are now a thing of the past, the possession of economic colonies is an essential characteristic of an imperialist-colonial relationship. Because it cannot be proved that Canada possesses colonies, old or new, CCL is forced to advance a theory of one-dimensional imperialism, in which there exists no colonial aspect at all. This is tantamount to claiming that a country can imperialize itself.

IS! does not deal with this important question any more successfully. In fact, they almost completely avoid the topic, only making mention that the Canadian bourgeoisie "participates in the struggle for the division of the world, in the exploitation and oppression of the people of the world" **[58] The exact nature of this 'participation' is not put forward. [59]**

This erroneous conception of imperialism leads to still other basic errors on the status of Canada and the principal contradiction. In practice, CCL and IS! do not view imperialism as a stage of capitalism, an extension of capitalism beyond the borders of the nation-the **direct** exploitation of workers in a foreign land.

CCL goes so far as to view imperialism as a system separate from capitalism. This is clearly expressed in the article by Workers' Unity (Toronto):

"Lenin describes the centralness of monopoly to the imperialist mode of production" and **"the changes from competitive capitalism to monopoly capitalism constituted the 'economic essence' of the** imperialist mode of production" (emphasis ours).

Imperialism is **not** a particular "mode of production". Capitalism is a mode of production, and imperialism being **a stage** of capitalism, is the continuation of the capitalist mode of production at its highest stage.

No matter how hard they may try, CCL and anyone else will never be able to sustain a position based on the erroneous conclusion advanced by Buck that the 'sole test' that determines if imperialist relations exist **"is the structure and level of development which characterises its national economy".** This limits the discussion to the analysis of internal phenomena that must exist **before** capitalism can reach outward in its imperialist stage. Imperialism in its initial stage was a struggle for the division of the world. Today, and for years past, there are no 'open territories' so that modern imperialism is a struggle between imperialist powers for the redivision of the world. It is this struggle which is the source of world war. How are these things explained within the context of imperialism as solely internal in nature?

We do not deny that any individual capitalist, or class of capitalists, however weak, harbours ambitions to become imperialist-they all do. But Marxists deal in reality, in material things, not dreams. It is necessary for us to establish beyond doubt that a country, a particular capitalist class, has much more than the desire to be imperialist. It must be shown that they have the capacity to protect their foreign interests-to be imperialists in reality. It is not sufficient that they have become monopolist or even finance-capitalist at home. They must have acquired physical property abroad and have not only the wish but the capacity to defend these interests. All of the factors that go into making of a capitalist class, and capitalist productive relations at home, must be repeated in its imperialist expression, although they may appear in somewhat different form.

Some of the misconceptions that arise appear plausible because of the separation, in practice, of imperialism from capitalism, (imperialism as a 'mode of production' rather than a 'stage of capitalism') fortified by the abstract way in which 'export of capital' is discussed.

Statistics deal in money values in such a way that it very often appears as though 'x' amount of dollars somehow finds its way abroad and later returns, with interest. The process of foreign direct investment is consequently mystified and the class relations, the relations of production, lost sight of. The reality is that the amount of currency stated is merely the statistical representation of a specific volume of capital goods, the means of production. When these means of production-statistically expressed as 'direct investment'-are joined with a native labour force, a capitalist mode of production, capitalist productive relations, is established. But this is a capitalist form of human relations with a significant difference, wherein the capitalist is a foreign capitalist exploiter-an imperialist. But aside from the aspect of foreignness in it, the relationship is still fundamentally capitalist in nature.

Of course, it is not a matter of the simple investment of capital and then a placid wait until the financial returns start to roll in. It involves a very complex social order which includes a superstructure, a state: government, administration, courts, prisons, armed guards (police, army), a system of education, culture, and an ideological and propaganda apparatus. Yet, the way the subject is handled it seems as though the capitalist in the role of imperialist, has no need of superstructure to protect investments abroad. It is not that any categorical statement is made in that regard. But the subject is entirely ignored and treated as though it doesn't exist.

The implication that imperialists can control by economic means, by the power of investments alone, is not a tenable position, its falseness proven by the facts. The Moore-Wells duo **[60]** knew this and tried to compensate for it by advancing a concept of 'collective imperialism', in which the strong imperialist powers helped the weak, instead of helping themselves. Implicit in CCL articles is the fact that at least some of the Moore-Wells views are acceptable to them.

Certainly the imperialists are alert to the fact that a superstructure is crucial to the defense of their interests. Discussing this particular topic, U.S. Secretary of the Treasury Fowler commented as follows:

"While it is most difficult to quantify, it is also impossible to overestimate the extent to which the efforts and opportunities of American firms abroad depend upon the vast presence and influence and prestige that America holds in the world. It is impossible to overestimate the extent to which private American ventures overseas benefit from our commitments, tangible and intangible, to furnish economic assistance to those in need and to defend the frontiers of freedom ... in fact if we were to contemplate abandoning these frontiers and withholding our assistance ... I wonder not whether the opportunities for private American enterprise would wither-1 wonder only how long it would take". [61]

At the time Fowler was speaking the U.S. was actively defending the 'frontier of freedom' and 'opportunities for private American enterprise' in Indo-China. It was not that Indo-China itself was of such crucial significance. But as an 'outpost of empire', it had to be defended. And a host of interventions in Latin America emphasise the point.

The other superpower, the USSR, has clearly demonstrated a capacity to defend its foreign interests. Czechoslovakia, Poland, East Germany, and more recently Angola, are examples of the fact that the Soviet Union can and will defend, by armed force if necessary, its expanding empire.

Second World imperialist countries have also shown their willingness to use military means to try to maintain their colonial empires. The French in Algeria and the Portuguese in Angola are two recent examples. The British, despite being reduced to a mere shadow of their former imperialist glory, maintain a military presence in many parts of the globe.

We do not argue that military intervention is the **only** means, or even that it is the main means, by which imperialists control their overseas possessions today. But the military capacity must be there, ready to go into action. And no matter what particular form imperialist control may take at a given moment, it necessarily involves the erection of a superstructure. These are only basic Marxist concepts.

Where military intervention is not a feature of a particular imperial-colonial relationship, its place is effectively filled by a local super-structure, erected and managed by an indigenous bourgeoisie, its stability fortified by the readiness and capacity of the imperialist power to intervene directly if the status quo is menaced by another external power, or threatened by revolutionary forces from within. Whatever the form or rule at a particular moment, the relationship is still imperialist-colonial in character.

Imperialism is political as well as economic, but CCL and IS! tend to ignore the political factors altogether. It is not a matter of one or another, or several, corporations deciding to venture into direct investment abroad. The problem embraces the entire field of capital investment and politics. The politics are represented in the totality, all the elements of the foreign policy of the ruling class in an imperialist country. The policy is concentrated on serving the foreign interests of the country's entrepreneurs. But in the absence of a real physical capacity to accomplish this task, the desire to do so, as we have said, remains but a desire.

In **Imperialism, the Highest Stage of Capitalism,** Lenin spoke of transitional forms of dependence:

"It must be ovserved that finance capital and its foreign policy which is the struggle of the great powers for the economic and political division of the world, give rise to a

number of transitional **forms of state dependence. Not only are the two main groups of countries, those owning colonies, and the colonies themselves, but also the diverse forms of dependent countries which, politically, are formally independent, but in fact are enmeshed in the net of financial and diplomatic dependence, are typical of this epoch." [62]**

In the preceding sections of this paper we have explained our views and analysis of monopoly control and finance capital in Canada, views based on an historical and political evaluation. We do not question the fact that there is an extremely high degree of monopolization in the Canadian economy. A lot of material is available on that subject. We contend, however, that monopolization in Canada has taken shape in two seperate but inter-dependent sectors of the economy: banking and infrastructure controlled by the Canadian bourgeoisie; and industrial and resources development overwhelmingly dominated by foreign investors who are mainly Americans. Because of the particular shape of Canada's economic development, a merging of banking capital with industrial capital has not taken place. Interlocking directorships between banks that are Canadian controlled, and industrial corporations that are American controlled, signify an interdependence and a mutuality of interests, but not a merger.

In the following we will deal with two erroneous positions regarding the internal situation in Canada. The first is that there exists an independent Canadian bourgeoisie, which exercises full control over the state apparatus, ie. they are in complete command of the superstructure. The second is that the Canadian bourgeoisie is involved in foreign direct investment as one of its chief characteristics.

The 'Independence' of the Canadian Bourgeoisie

The Canadian bourgeois class exercises a certain measure of control over the Canadian state and the economy. But the **extent** of that control is a crucial question which must be subjected to serious analysis.

As Lenin pointed out in **A Caricature of Marxism;**

"Big finance capital of one country can always buy up competitors in another, politically independent country and constantly do so. Economically, this is fully achievable. Economic 'annexation' is fully **'achievable' without political annexation and is widely practiced. In the literature on imperialism you will constantly come across indications that Argentina, for example, is in reality a 'trade colony' of Britain, or that Portugal is in reality a 'vassal' of Britain, etc. And that is actually so; economic dependence on British banks, indebtedness to Britain, British acquisition of their railways, mines, land, etc., enable Britain to 'annex' these countries economically without violating their independence." [63]**

The Canadian situation represents an even more comprehensive 'annexation' than that described by Lenin. Of course, the arrangement must be of some advantage to the Canadian bourgeoisie who maintains a superstructure that serves the essential interests of the imperialists. The Canadian bourgeoisie is able to exist as a class, and operating as a class it maintains and develops aspirations that sometimes are in conflict with the goals of the imperialists. The relationship is one of conflict and collusion. But, contrary to the dogmatic claims of CCL, the fundamental relationship is one of collusion.

Lenin spoke of how Britain's acquisition of railways, mines, lands, etc., allowed that imperialist country to "annex" Portugal and Argentina. The Canadian economy has been taken over by foreign investors, mainly American (over 80 per cent of total foreign investment is American), to the tune of $26,358 million by the end of 1970, and since the book value of United States investment alone was increasing at an annual rate of nearly two billion dollars, it is clear that foreign direct investment in Canada would be in the neighbourhood of forty billion dollars by the end of 1976. It is not possible that the situation of Argentina or Portugal, at the time Lenin wrote, could be any worse than that of Canada in relation to the United States at the present time, with the added disadvantages of geographical proximity, language and cultural similarities between English Canada and the US, and a population ratio overwhelmingly favourable to the Americans.

Is it logical to conclude that Canada can be viewed as even a minor contender in the division of the world? Canada is much more representative of a country that has been **"economically annexed"** by a single giant superpower.

Canadian Foreign Investment *w*

Initially, Canadian capitalists sent capital abroad in search of more low risk investment. Their external investments followed the same pattern as their domestic investments - ie. in commercial, banking, and utilities sectors. As with domestic industry, Canadian capitalists put little exported capital into industry.

Lenin stated that: **"The need to export capital arises from the fact that in a few countries capitalism has become 'overripe' and [owing to the backward state of agriculture and the poverty of the masses] capital cannot find a field for 'profitable' investment."** When the Canadian bourgeoisie first began to export capital there were ample opportunities in the domestic market, as is evident from the inflow of British and US capital into Canada at that time (end of the 19th century). However, these were areas of investment that the particular bourgeoisie in Canada was not primarily interested in. The market was 'overripe' in the sectors in which the Canadian bourgeoisie was concerned. Since the Second World War, the export of Canadian capital has been reinforced by the fact that the Canadian economy was thoroughly saturated and controlled by foreign investors, thus cutting Canadian capitalists off from their own domestic investment market. Of course it was their own political and economic policies that had created this situation.

Comparative Figures on Canada's Investment Position

Year	Canadian Direct Investment Abroad		Foreign Direct Investment in Canada
1945	720		2,713
1957	2,073	(millions	10,129
1960	2,467	of dollars)	12,872
1961	3,272		15,961
1965	3,469		17,356
1966	3,711		19,008
1967	4,030		20,699
1970	6,188		26,358

As the chart indicates, Canadian direct investment abroad experienced its main period of growth during the post-Second World War years. It was also in these same years that United States investment in Canada began to increase rapidly - especially with the beginning of the Cold War, getting a big boost during the Korean War, and again during the conflict in China.

As we have stated in preceding pages, American capitalists initially invested in Canada primarily to secure supplies of strategic raw materials. Later, Canadian government policies respecting patent protection and tariffs, as well as empire preferential trade agreements, induced the Americans to invest in branch-plant industry. In the course of time they discovered that Canada could be used as a base for expansion into still other countries. Canada could provide a convenient cover for what was, in reality, United States direct investment abroad disguised as 'Canadian'. This was particularly useful in areas where American investment was looked on with suspicion.

As a consequence of this situation, while **all** the foreign direct investment in Canada is foreign in origin, not all of the 'Canadian' foreign direct investment abroad is really Canadian.

A federal government report on direct investment abroad says:

"Non-residents have an important share in direct investment abroad by Canada through their ownership of some of the Canadian parent companies which do the investing. In an important sense, therefore, a significant portion of direct investment abroad is not ultimately a Canadian asset. At the end of 1967, the ultimate ownership of about $1.7 billion ofthe Canadian assets directly invested abroad rested with non-residents.

"From the end of 1954 to the end of 1964, the book value of direct investment abroad more that doubled from $1,619 million to $3,356 million, an increase of 107.3 per cent. Over this period there was an increase of only 61.8 per cent in direct investment abroad by those corporations and other investors resident in Canada which were themselves either independent or under the control of other Canadians. The value of their direct investment went up from $1,182 to $1,912 million. Direct investment by corporations and other investors resident in Canada but controlled in the United States increased by 207.5 per cent, from $425 million to $1,307 million. Direct investment abroad which was controlled by residents of other countries increased by more than ten times from $12 million to $137 million. As a result, the proportion of Canadian direct investment abroad that was actually controlled in Canada decreased from 73 per cent in 1954, to 57 per cent in 1964. The proportion controlled from the United States rose from 26.3 per cent to 38.9 per cent, and the proportion controlled from other countries rose from 0.7 per cent to 4.1 per cent.

"One reason for the increase in foreign control of Canadian investment abroad was that non-resident control of Canada's domestic economy was growing during that period. From 1954 to 1963, non-resident control of selected industrial groups [petroleum and natural gas, mining and smelting, railways and other utilities, merchandising] increased from 28 per cent of capital employed to 34 per cent...these were the types of industrial groups to which Canadian direct investment abroad was mainly directed. Over the same period from 1954 to 1963, non-resident control of Canadian investment abroad increased from 27 per cent to 40.7 per cent. This was a faster rise. The higher rate of increase might have been due, in whole or in part, to foreign-controlled Canadian firms expanding their direct investment abroad more rapidly than the Canadian firms which were controlled by Canadian residents. It might have been influenced by the passing to non-resident control of firms which were heavy direct investors.... Whatever the reason, it is clear that even in the field of Canadian investment abroad, Canadian control was declining."

Aside from the issue ofthe export of capital, if a country is to be characterized as imperialist, it will be necessary to prove that it has the capacity to exercise a significant, if not a decisive, influence over the colonial appendage. On the evidence, it seems that only those intent upon proving the unprovable, will argue that Canada has that capacity.

According to Statistics Canada figures for 1970 (issued in 1975), 52.5 per cent of Canadian investment abroad was located in the United States; 9.5 per cent was invested in Britain; 4.9 per cent in the European Economic Community; and a total of 8.6 went into Australasia and Europe other than Britain and the EEC. That accounts for 75.5 per cent of Canadian direct investment abroad, both resident and non-resident controlled. Is it likely that Canada exerts enough influence over these first and second world countries to effect their internal workings in an imperialist fashion?

CCL(ML) attempts to prove the unprovable when they state: **"that half of these investments are in the US does not alter their imperialist nature".** With this statement they remove all political aspects from imperialism and reduce the economic analysis to one of foreign investments. If they are not equating imperialism with foreign investment, then they must by saying that this investment results in Canadian imperialist domination in the United States. In other words, Canada, as an imperialist country, dominates the US?

After subtracting the foreign direct investment in first and second world countries from the total, we have 24.5 per cent of the investment remaining. This amount is scattered throughout Latin America, the Caribbean, Africa and other 'developing' countries. Even if the entire amount were actually Canadian, which it certainly is not, there could not be a concentration of investment in any single country to place Canada in an imperialist relationship over its economy - or to exercise any degree of political control.

CCL alters the facts when they tell us that **"Large Canadian transnational companies own factories and companies all over the globe,** especially **in the third world."** [65] - emphasis ours]. With this wording they attempt to negate the fact that slightly over half of Canadian direct foreign investment is in the United States (the 'slightly' increases to 62 per cent, of investment being in the US if portfolio is included with direct investment) - and create the image of imperialist, economic and political, domination of third world countries, as the main block of Canadian foreign investment. Far from **"especially in the third world",** a correct analysis points out that Canadian investments are primarily in countries of the first and second world - countries Canada is in no position to dominate.

What we have shown is the maximum possible result if **all** of the investment was in fact Canadian. But according to official figures in 1970, non-resident control of 'Canadian' foreign investment was 44 per cent. Since no more than 47.5 per cent of Canadian direct investment abroad was located in all countries outside of the United States, and as American investors are most unlikely to redirect foreign investment into their own country, and since American investors controlled nearly 40 per cent of the total, it seems safe to conclude that a major portion of 'Canadian' direct investment in countries outside of the United States is, in fact, American controlled.

In other words, to total of $1237.6 million dollars which is scattered throughout a score of different countries, and therefore limited in the amount of influence it can exert in the first place, in the second place, is largely not Canadian controlled.

The Caribbean

Whenever the subject of 'Canadian imperialism' comes up, the Caribbean area is cited as the most obvious example of Canadian exploitation of the Third World. However, a careful analysis of the actual situation shows that the Caribbean example is evidence of the fact that Canada is not fundamentally an imperialist country. While the Canadian bourgeoisie makes investments in the Caribbean and these investments are unquestionably imperialist in nature, the essence of the relationship between Canada and the Caribbean countries is not one of imperialist power and colony.

In 1970 only 7.5% of all direct investment originating in Canada was in the Caribbean (this amounted to $463 million). Of this 54% or about $250 million was actually Canadian controlled.

In a study entitled **Canadian — West Indies Economic Relations,** the authors, Levitt and Mclntyre, give this overview of Canadian investment in this area:

"Flows of goods and services have been closely associated with inflows of Canadian capital into the West Indies. Canada has invested more in the Commonwealth Caribbean than in any other developing country in the world. In the fields of banking, insurance, and bauxite—alumina production, Canadian investment not only is significant, but is the main portion of investment in each of those particular industries."

Keeping in mind two key points: 1) that **direct** investment is the most crucial and most damaging form of foreign investment that any country can play host to; and 2) that more than 40% of investment abroad originating in Canada, represents non—resident owned capital, accumulated in Canadian operations and directed into foreign spheres of investment, let us proceed to a detailed examination of this 'Canadian' investment in the Commonwealth Caribbean region.

At the time (1967) that Levitt and Mclntyre prepared their study of the area, total Canadian investment - including substantial amounts committed for several years ahead - amounted to approximately $550 million, with at least half located in Jamaica and the remainder split about evenly between Guyana and the rest of the eastern Caribbean. The authors' of the study assessed the distribution of the investment to be as follows: $310 million in bauxite-alumina; i $100 million in mortgages, government securities, loans and other assets held by banking and insurance companies; $20 million in electric and other utilities; $10 million in cultivation and manufacture of sugar and citrus products; between $5 million and $10 million in secondary manufacturing; and the rest (about $100 million) in hotels and other enterprises.

Stretching the estimation to its outer limits, one might conclude that as much as $350 million, or about 64% of the total investment is of the direct type. Investment by Alcan in the bauxite-alumina industry totals $310 million, nearly 90% of the direct type 'Canadian' investment.

The list of companies identified as Canadian in Jamaica (where the bulk of 'Canadian' investment in manufacturing is concentrated) included the following which are clearly identifiable as non-Canadian controlled: Sheriffs »(Jamaica) Ltd., Colgate, Palmolive, Peet, Brandram-Henderson (West Indies) Ltd. (a subsidiary of CIL), Trueform Industries Ltd. and Univex.

Also active in Jamaica and classed as a Canadian corporation is the Bata Shoe Company. **[66]**

In Trinidad Canada's investment is even more modest than it is in Jamaica. Here we find the following Canadian companies: Imperial Optical, Samton Metal, Caribbean Milling, Jaymore Ltd., a Canadian-owned lime juice plant, a cork and seal plant and a manufacturer of flavouring essences. The total investment value represented by all of these firms is $1 million. Canadian investment in the rest of the area is virtually non-existent.

Canadian investment in the Commonwealth Caribbean has lagged far behind British and American capital in the direct investment sector and is dropping still farther to the rear. It is estimated by Levitt and Mclntyre that American capital accounts^for nearly 80% of the direct investment that has been taking place since the 1950's.

Updating

What has been cited above ends with 1967 and considerable changes, political and economic, have taken place in the Caribbean since that time. These changes have rarely been favourable to the operations of foreign corporations. We will set out the main points of the changes so as to bring Caribbean affairs into focus.

With the example of OPEC before them, the bauxite-rich countries of the Caribbean challenged the giant aluminum corporations. An attempt to set up an association of bauxite-producing nations failed, largely because of the defection of Australia, but the problems of the aluminum companies nevertheless increased.

In Jamaica, after the election of Manley, new economic initiatives were pursued in that country. Preliminary to the institution of a nationalization policy, Jamaica legislated a new tax and royalty system that raised state income from bauxite production from less than $25 million in 1973 to over $150 million in 1974. By the end of 1976 Jamaica had nationalized all of the holdings of the several aluminum companies, including Alcan, operating in the area.

Freed from the ties that bound them tightly to American and British corporations, the Caribbean producers secured for themselves a better financial deal and diversified their market by selling bauxite to China, Russia, Czechoslovakia and other countries. 'Bauxite imperialism' as it once was has come to an end in the Caribbean.

The alleged domination of Canadian insurance firms comes in for a lot of criticism as a practical example of Canadian imperialism at work. But a local insurance company, Jamaica Mutual Life, founded in 1844, is by far the largest in the region, and leading Canadian firms have been pulling out, rather than operate under new controlling legislation. So Canadian insurance operations are declining and at least one company, Maritime Life, popularly thought of as Canadian is not Canadian at all.

Maritime Life was founded in Halifax and became a successful concern in Trinidad while still actually a true-blue Canadian corporation. But Maritime Life was purchased by John Hancock Mutual Life of Boston in 1969, thus becoming an American corporation. The company continues to operate under the corporate title of Maritime Life and the transfer of ownership appears to have gone largely unnoticed in both Canada and the Caribbean.

Canadian banks, of course, have loomed large in the economic affairs of the Caribbean. The Bank of Nova Scotia and the Royal Bank were early entries into the area, followed after World War One by the Bank of Commerce and, in the 1950's by the Bank of Montreal. Thus the four leading

Canadian banks operate in the Caribbean.

Canadian banks drained off needed capital from the Caribbean, thus re-enacting the role they played in the Canadian hinterland. But not all banking in the region now represents exploitation of Caribbean peoples and resources. There are some rather peculiar aspects to Caribbean banking that are related to manipulation of the international money market.

There is a complicated, and shady, monetary operation know as the 'Eurodollar markets'. It is participated in by the leading banks of the world, whose operations within the Eurodollar market played a considerable part in promoting the world's monetary crisis in recent years.

The world centre of the Eurodollar market is London and the main secondary centre is Toronto. According to the Bank of Canada Review of June, 1976, Canadian banks held 28.9% of their assets and and 30.5% of their liabilities in foreign currencies. The growing importance of Eurodollar trade to banking business is evident from the fact that it grew from $9 billion in 1964 to $100 billion in 1975.

The Bahamas are almost entirely without natural resources and industry. Over the years ruling forces have existed on the slave trade, piracy and a variety of rackets. Latterly tourism, gambling and anything that would bring a fast buck has found a welcome in the area. The Eurodollar market seems especially made for the Bahamas and its status as a tax-free haven appealed to the international banking fraternity.

By 1975 there were 168 fully active financial institutions in the Bahamas, but little of this extraordinary banking activity had any relationship to domestic requirements. In fact, only nine of the 168 banks were licensed to engage in domestic business. But the absence of taxes, the permitted secrecy in banking operations, the fact that trade in foreign currencies is not subject to Bahamian exchange regulation - or indeed to any regulation at all - encourages bankers to use the Bahamas as a base for their shady operations.

The Cayman Islands, even more than the Bahamas, stand as a dramatic example of that modern miracle of finance - the tax-free haven. In a small area with barely 12,000 people, there are 186 financial institutions and nearly 5,000 registered corporations.

The point is that surface appearances in the Caribbean can be very deceiving. Obviously 5,000 corporations are not existing on the exploitation of 12,000 people. In order to understand capitalist operations in the Caribbean, one must dig beneath the surface to lay bare the essence of imperialist relations in the region.

Canadian banks do engage in the more mundane of capitalist banking operations. However, in the last twenty years Canadian banks have begun to be confronted with competition from American banks - including the Chase Manhattan, the First National City Bank, and the Bank of America. The Canadians have not yet lost much ground to the Americans. But, since business is predominantly US-controlled, the long-term threat to Canadian banking in the Caribbean must be considered very great.

An even greater threat is posed by the state banks, recently promoted by a number of governments in the Caribbean region - especially in the all-important areas of Guyana, Jamaica and Trinidad. While these state banks are still relatively weak, they are likely to gain experience and strength, and will eventually benefit from government support through legislation.

Conclusion

Canadian relations with the West Indies originally developed within the British Empire; Both British and American policies have been major influences in the shaping of relations. It is overly simplistic to view Canada as an imperialist power in its own right in the area. As shown above, the relationship has been subject to change over the years, and is still in a state of constant change, which can at any time end in the elimination of the Canadian role in the Caribbean. And, what is being done by this fierce imperialist power to defend positions that are claimed to be the most important Canadian imperialist interests in the whole of the Third World?

Canadian corporations abroad receive far less support from the state than corporations based in the United States or in other imperialist centres receive from the state apparatus in their home countries. The state agencies that do offer assistance to Canadian business in foreign dealings are themselves economic in character. As for the Department of External Affairs, even the bureaucrats within it don't seem quite sure about what its is supposed to do. If this is an imperialist tiger, it is made of transparently thin tissue paper, with little inclination to acquire 'teeth of iron' much to the dismay of its allies.

How well Canada is prepared to protect its 'imperialist' interests in the Caribbean is further manifested in the decline of defense expenditures from 3.75% of the Gross National Product in 1963 to 2.04 % in 1973. Among western countries only four - Ireland, Luxemburg, Switzerland and Austria - had a lower defense budget as a proportion of GNP in 1973, and the rate of decline of Canada's budget was the most precipitous in the world, except for those of Luxemburg, Haiti, the Dominican Republic and Mauritania. [**World Military Expenditures and Arms Trade** 1963 - 1973].

Canada maintains a Third World military assistance program on a total annual budget of $440,000, which consists of providing training in Canada for officers from recipient countries. There are, in addition, two Canadian military advisors abroad, one in Ghana and one in Tanzania, which along with Jamaica, are the only countries that ever really took an interest in the program. Two other Caribbean countries, Guyana and Trinidad, have participated on a smaller scale.

As part of its military arrangements with Jamaica, Canadian trroops were permitted to train on Jamaican territory. Beginning in 1970 Canadian armed forces undertook three consecutive annual battalian-scale exercises in jungle warfare there. A variety of radicals, exercised by the thought of Canadian troops being readied to defend Alcan and the Royal Bank, protested loudly and bitterly. But when the National Defense budget was cut in 1973, the Nimrod Caper Exercise, as it was called, was among the early casualties. Did no one think it strange that the 'Canadian imperialists' had abandoned Alcan and the Royal at the very moment when they were coming under sharp attack?

This is Canada in the Caribbean. (Does it really conjure up a vision of a ferocious imperialist power at work?) Is the following description by the CCL-ML of the role played *by* Canada in the Caribbean really descrptive of the actual situation?

"Each day the growing fight back of the countries and peoples of the Caribbean shines a brighter light on the features of Canadian imperialism, and we see that it is A VAMPIRE THIRSTING FOR THE BLOOD AND SWEAT OF THE MASSES IT EXPLOITS." (The Forge, Feb. 3/77) (our emphasis)

Their posture is very righteous. Unfortunately, it is not consistent with the facts.

We have already shown that foreign direct investment in Canada is far from insignificant. More than 80 per cent of this type of investment is in the control of a single super-power - the United States - which dominates the economy to the extent of determining how it will develop. Like third world countries, Canada exports raw materials and energy resources, and imports manufactured goods, a process that results in a serious trade imbalance, and worsens the Canadian position of indebtedness.

We have pointed out that the maturity and consolidation of the imperialist-colonial relationship is demonstrated conclusively when the imperialists are able to appropriate surplus value within the colony to the point of rendering capital export no longer necessary.

That there is a declining export of capital from the United States to Canada is a matter of record. It is clear evidence, in the light of a dramatic increase in book value of US investment, that American imperialism in Canada has reached the stage of full maturity.

Expanding American control can be seen by an examination of their operations **within** Canada, not through statistics concerning capital inflow. For example: Crown-Zellerbach, a wholly-owned US subsidiary, announces plans for a $125 million expansion in the BC forest industry. According to an announcement made by company chairman Rogers **(The Province,** Vancouver, December 9, 1976) **"about half of the new spending will come from retained earnings, and the Company will seek the balance on the Canadian money market."** That constitutes a $125 million increase in United States direct investment in Canada **with not a nickel of capital exports involved.** It is the fruits of the exploitation of Canadian workers and Canadian resources, not American capital exports, that supply the funds - and have long supplied the funds - to finance United States control of the economy. By the same token, the capital exported from Canada, which CCL represents as Canadian imperialist exploitation of third world peoples, in reality represents the imperialist plunder of Canada.

The Crown-Zellerbach example is representative of the general situation regarding source of investment. This is readily seen in a table which shows the percentage of investment funds according to source of supply, over an eight year period when US direct investment in Canada was increasing dramatically:

The above table also shows the limited participation of Canadian banks - in the form of loans, not investment - which grew only marginally over the eight years in question. The decline in capital inflow (capital exports from the US) which is a natural corollary of expanding control, because increasing ownership of the local economy is accompanied by increasing opportunity and capacity to produce and appropriate surplus value within the area of investment. That is how capitalism works, whether it is imperialist or indigenous in character. Clearly US imperialism in Canada is **not** characterized by the export of capital from the United States, but by the capacity of the American investors to obtain the necessary capital from operations inside Canada.

Summary

In this section we have addressed the major misconceptions which support the position of 'Canadian imperialism'.

On Lenin's **Imperialism** we have shown: **1)** that as Lenin himself indicated, it is necessary to go beyond his limited defintion to consider the broader political aspects; and **2)** the incorrectness of CCL(ML) and IS! in **restricting** Lenin's analysis, and depending on internal factors only in characterizing a country as imperialist.

We have also dealt specifically with the 'export of capital' question in order to show that this must be up-dated to accommodate re-invested capital created within the imperialized country. And we have pointed to the distortions on the question of 'finance capital' and 'monopolies', that have been made in order to have Canada fit the mold of an imperialist country.

By examiningthe relationship between the Caribbean and Canada, we have tried to respond to the particulars of the myth which describes Canada as an imperialist country. We suggest to all those who are so diligently searching for signs of 'Canadian imperialism', that they turn a glance inward to see real imperialism, American imperialism, in operation.

	1957	1958	1959	1960	1961	1962	1963	1964
Inflow from U.S.	26	25	20	21	13	10	8	5
Reinvested Earnings	35	32	39	45	41	43	45	49
Depreciation Funds	26	30	30	35	34	32	33	30
Canadian Bank Loans	13	14	11	-1	12	15	14	14

(Source: *U.S. Survey of Current Business* - various issues)

Footnotes

[50] "On the Ten Major Relationships", Peking Review, No. 1, 1977
[51] Statement of Political Agreement ... of the CCL-ML, p. 29
[52] Proletarian Unity, Vol. 1, No. 3, p. 14
[53] "Imperialism and Canadian Political Economy", Canadian Revolution, Vol. 1, No. 1 & 2
[54] "A Reply to Imperialism and Canadian Political Economy", Canadian Revolution, Vol. 1, No. 4, p. 23
[55] We assume they mean finance capital and that the problem is one of translation. Financial capital does not refer to industry.
[56] Collected Works of Lenin, Vol. 22. p. 220
[57] From CANADA, THE COMMUNIST VIEWPOINT, quoted by Workers Unity [Toronto] in their article "Imperialism and Canadian Political Economy, Part 1", Canadian Revolution, Vol. 1, No. 1, p. 6
[58] Proletarian Unity, Vol. 1, No. 3, p. 30
[59] They do reproduce tables that give total Canadian capital exported, but this is not related to specific countries. In articles dealing with Canadian investments in specific countries in their newspaper, In Struggle!, they have not attempted to prove that this capital represents the creation of a Canadian colonial possession •
[60] Steve Moore and Debi Wells, IMPERIALISM AND THE NATIONAL QUESTION IN CANADA

[61] Bulletin of the United States Information Service, Dec. 8, 1965
[62] Collected Works of Lenin, Vol. 22, p. 263
[63] Ibid , Vol. 23, p. 44
[64] Unless otherwise stated, figures cited are based on those released by Statistics Canada and are from Bulletins on foreign direct investment and on the international balance of payments for various years since 1945. Also used were the "Watkins Report" and the "Grey Report"
[65] Statement of Political Agreement ... of the CCL-ML, p. 33
[66] Before the war the Bata family of Czechoslovakia was to European shoes what Henry Ford was to the American auto industry. They mass produced cheap shoes for working people and had factories established in many countries. Bata located in the West Indies, Canada and the United States in the 1930's, while still being directed from Czechoslovakia; years before becoming a 'Canadian' company. Bata Shoe, under company head Jan Bata, fell into disrepute for collaborating with Hitler after the German occupation of Czechoslovakia. Tried in absentia and found guilty, Bata could not return to his homeland, and attitudes in North America were not overly friendly. The company was put under control of a nephew, but there was still an atmosphere of hostility in the US, so the company established headquarters in its Toronto office, becoming 'Canadian' out of despiration. Bata operates in over 90 countries and less than five per cent of its production is in Canada. Perhaps by stretching the point a bit one can classify this as a Canadian corporation.

The two superpowers have an eye on Qu

In their rivalry for world hegemony the two superpowers ... defeller has said that an J« e keeping a close eye on Quebec. ... tffcflfcO ... llCPX ... Leves- be a threat and could be Pi

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Gana©an i» ... j ... Soviet social-imperialism' ... extends its

(IS atSCnai *m*

K VSr ... ^itswe

Bourassa has often said GM ... -S\±SS ... VC\X> ... "divide and conquer". It se that Quebec doesn't "have the means"* to do withou*.\i$ ... ^JC*\+ American capital. He ^*<V* ^V^AJ *^JL^X ... their exploitation is ir

2 p - ' ^ *W r*

Chapter 5
Criticisms of the Views of CCL-ML &d In Strwdel

Concrete Analysis

A generation has passed in Canada since there was a revolutionary proletarian party to lead the working class. Even when the CP was at its best, in the 1920's and 1930's, it failed to provide a correct analysis of the 'path of the revolution' in this country. No attempt has been made (with the exception of the Progressive Workers Movement) until recently to accomplish this essential task for the Canadian revolution.

The resurgence of a Communist movement since the early 1970's has been marked by a tendency to defend general Marxist-Leninist principles divorced from the actual Canadian reality. Lenin, Mao and others have been referred to, in order to show the need for a party, the importance of ideological struggle, the need for principled unity, etc. Alexander Lozovsky and Filip Kota, as well as Lenin, have been referred to in order to understand how Communists should approach work in trade unions. The Chinese and Albanian parties are drawn on in reference to a number of points of theory.

All this is positive, but it is not enough, even at this early stage. Some comrades, rather than realising this fact and going on to use a principled Communist perspective to answer particular questions about our own country, where **our** revolution will have to be made, simply insert 'Canada' into the general formulations and act as if they have accomplished the task. We feel strongly that this in no way is practising what Lenin called the essence of Marxism, that is the **concrete analysis of concrete conditions.**

CCL-ML is the most glaring in its mechanistic application of general principles to Canada. It takes China's essentially correct view of contradictions on a world scale and glibly inserts Canada, with no-regard for the particularity of this country. CCL assumes that Canada (since it is a Second World and, therefore - automatically - an imperialist country) has the same relation to the superpowers as the countries of Western Europe. As we show elsewhere, the nature of the bourgeoisie and the relative strengths of the superpowers in Canada are basically ignored by the CCL-ML.

This group regularly makes assertions about Canadian political economy based on reading a volume of Lenin or, for example, on a **general** understanding of the resistance of the Second World to the superpowers. When something about the country doesn't fit into their reading of Lenin's **Imperialism,** it is simply ignored. The trade union question in Canada is talked about as if the fact of direct domination by foreign imperialist unions is irrelevant to what is seen as a correct reading of Lenin and Comintern theoriticians. Phrases about 'work in reactionary unions' and building 'class struggle unions' are blandly repeated, while the actual history of the two-line struggle in the Canadian union movement is ignored. We could add examples, but we think it obvious that the reason the CCL-ML has a self-styled 'correct line' which claims to answer all the important questions is because the **real** questions of the Canadian situation have been set aside. For this 'correct line' all that is needed is to have read a **small part** of the accumulated experience of the international communist **movement.** CCL-ML has branded the **only** recent concrete analysis of Canada [done by Workers Unity **Collective** (Edmonton)] as anti-Marxist and anti-Leninist, without bothering to offer **any** counter-analysis. We think that this attitude is consistent **only** with a view that WUC (E) is not numerically significant nor influential enough in the working class to stand in their way as they proceed to create the Party. CCL is more preoccupied with gaining hegemony than in developing a correct revolutionary strategy. We look forward to a change in this attitude.

In Struggle! has said very little about Canadian political economy until their recent article in Proletarian Unity 3. We. are disturbed by the fact that although much is **said** in this article about the importance of **concrete analysis,** in fact what we get is largely a collection of haphazard historical facts along with Marx and Lenin to 'prove' certain things about Canada. The similarity of IS! 's positions to some of ours does not convince us that the **method** used is in fact a **concrete analysis of the concrete situation.**

Here are just a few of the contradictions in this area which can be found in PU3:

The first concerns the supposed development of an industrial capitalist class in Canada emerging from merchant capital, capturing the home market and state power, and growing into an independent capitalist bourgeoisie.

IS! begins with the **assumption** that the capitalist path in Canada was essentially that of the classic European capitalist countries. According to this assumption the British colonialists replaced feudalism as the force which the bourgeoisie had to struggle against to gain power. **"Here it was the bourgeoisie of the colonies who had the historical task of bringing about both the economic and political conditions for national unity: the national state and the national market. To accomplish this task, the bourgeoisie would confront not principally the feudal class which was very weak here, but primarily foreign colonial domination. This is what explains the great importance of the struggle to obtain political independence and also, the rapidity of capitalist development once it was begun."** (PU 3, p. 15) From the beginning of their historical analysis, the IS! comrades **posit** formal political independence as the criterion of Canadian imperialism.

IS! makes much of the fact that Britain controlled and dictated the. Canadian economy. Following IS!'s original **assumption,** indigenous capitalist elements are seen as **by definition** hostile to British colonialism. The aims of the 'industrial bourgeoisie' (striving to win the national market and assert their economic independence) are advanced as the real aims of the 1837 rebellions. IS! itself admits that the industrial bourgeoisie **"was still too weak and its most important section [the capitalists of the shipbuilding yards and the saw mills] was closely tied to the orders of the British capitalists, which encouraged them toward compromise."** (PU 3, p. 17) IS! says that this compromise meant that the rebellion lacked the strong leadership of an industrial class. But, what were the **actual economic interests** of the bourgeoisie in the affair? If IS! had analysed the **actual** sectors that the Canadian bourgeoisie was active in, and their relation to Britain in terms of the economic interests of each, the analysis which they would come up with would be much clearer. Even lacking this background, their minds are made up. The 'industrial' bourgeoisie is **assumed** to be interested in independence from Britain and the fact that it was the **petty** bourgeoisie which **fought** and **led** the 1837 rebellions is explained away as 'weakness' on the part of a bourgeoisie supposedly struggling along the road to imperialism.

Without reference to the **real economic interests** of the bourgeoisie, IS! methodically follows the course of **"the struggle for the establishment of a national democratic state"** (PU 3, p. 17) as an assumed criterion of the development of the soon-to-be-imperialist bourgeoisie. Anticipating the somewhat less than 'revolutionary' course of this struggle, it adds an inexplicable statement that for some reason **"compromise took the place of revolutionary struggle".** At this point, intent upon justifying their original assumption, they lose nearly all touch with actual Canadian reality and cast aside some of the basics of Marxism in the process (for instance, that no ruling class gives up power without a struggle.).

No actual concrete explanation is offered for the Act of Union in 1840 and the British North America Act in 1867. Instead, we are treated to quotes from Marx to show that irrespective of the facts, these Acts represented the seizure of power by a rising industrial bourgeoisie on the road to becoming a full imperialist bourgeoisie. **"The creation of the national democratic state is both the result and the condition for the development of the capitalist mode of production in a country."** (PU3, p. 17) If one had a different assumption to 'prove', one could point to numerous colonial and semi-colonial countries where capitalist democracy never appeared and yet indigenous workers were sweated just as efficiently in imperialist factories which represented **exactly** the 'capitalist mode of production'. What is correct in IS!'s phrase is that where a country **does** embark on an independent capitalist economic course, the appropriate political trappings - the bourgeoise state machine - are inevitable. Rather than **demonstrating** that this independent economic course was pursued, IS! turns the above basic truth on its head and asserts that **"this general law of history applies as much to Canada as it does everywhere".**

Straightforward dogmatism consumes IS!'s argument at this point. Without proving any of their claims about the actual history of Canadian capitalism, they drag Marx (against his will) into the argument to state that merchant capital gets transformed inevitably into industrial capital. What Marx was was actually saying was that merchant capital **"functions only as an agent of productive capital".** (Marx quoted in PU 3, p. 18) Since merchant capital lacks any direct connection to production, this statement is true and can be considered universally applicable. But what IS! does is to say that the necessary production-based capital **had** to develop **in Canada** and absorb Canadian merchant capital. Historical reality is irrelevant because IS! thinks that some Marxist-Leninists are in danger of contradicting Marx.

The limited investigation the RSC has done leads to the conclusion that in Canada merchant capital developed an intricate and binding relationship with production-based capital. This latter capital was essentially American.

Starting from an assumption based on subjectivity, IS! explains Canadian history in an essentially erroneous way. We think that Chapter One of this pamphlet shows quite another explanation on almost all points. For example, to say that **"tariff barriers were instituted for the first time to protect the Canadian manufacturing industry: the State also intervened in the financing of a modern national transportation system [canals for the St. Lawrence and the construction of railroads]"** (PU 3, p. 18) is simply to attribute a predetermined meaning to the facts. We show that these and later policies (e.g. the National Policy) tied the Canadian bourgeoisie ever more tightly to dependence on foreign imperialism. Can the IS! comrades point to any **evidence** to justify the conclusion that all this was a step on the path toward Canadian imperialist power status, in contradiction to the evidence we have brought forward?

Imperialist war is rightly seen by IS! as the inevitable result of imperialist politics in general. But once again they proceed from a **general** truth to make particular conclusions about Canada. After a lengthy discussion of the process of capitalist development in Canada up to the First World War (Section 2, p. 21 and following) dealing almost solely with the facts of monopolization without examining the question of which bourgeoisie (Canadian, US or British) controlled what sectors, IS! baldly asserts that **"Canada participated in the war** [WWI] **as an imperialist power."** (PU3, p. 26) How does the fact that there was a Canadian capitalist state which reinforced class divisions and exploitation through a monopoly capitalist economy, lead to this conclusion? IS! accepts the Leninist theory of imperialist war, and yet it gives no inkling of the raw materials, territories, advantages over competitors, markets, etc. that 'Canadian imperialism' was striving to gain through fighting in this imperialist war. IS! in effect is saying that imperialist war results from the **internal** development of each country - a position which is consistent with neither the obvious facts nor established Marxist-Leninist theory. Once again, what is missing in the IS! examination of World War One is analysis of the actual economic and political interests of the Canadian and other bourgeoisies.

Similarly with the assertion on the same page of **PU** 3 that **"[Canada] thus profited from the exploitation of numerous colonies of the British Empire",** we are offered a statement that fits in with an assumption about Canada necessarily being an imperialist power, but we receive no **facts** to back up this assertion. The only fact offered is that Canada was an independent dominion and a part of the Commonwealth.

IS!'s strength on the question of Canadian political economy is definitely the fact that it refuses to ignore the great American presence in Canada, even if their analysis on this point is faulty. On page 27 of **PU** 3 IS! outlines in roughly correct terms the American rise to world dominance immediately after World War Two (although it overstates the direct threat of the 'Communist' parties to capitalism in Europe). The American methods of world hegemony (military alliances, economic 'aid', etc.) are outlined as are the forces which were struggling against it. Suddenly we are told that **"thus the path of the Canadian bourgeoisie was completely mapped out; it was to become THE MOST FAITHFUL ALLY OF AMERICAN IMPERIALISM in its struggle for world hegemony." (PU** 3, p. 28) Our group certainly agrees with the conclusion, but we have attempted to **base** this conclusion on an understanding of the long-standing interests of the Canadian bourgeoisie, which tied its chariot to the fate of the American empire long before the Second World War. Given IS!'s failure to **explain** the facts, based on a concrete analysis of concrete conditions, it is no wonder that the dogmatic view which presents only general principles about how imperialism works, has some success in opposition to those who recognize the American presence in Canada.

Consequences of CCL-ML's and IS's Lines for Revolutionary Strategy

Marxists-Leninists do not approach the question of Canada's role in the imperialist era out of a desire to construct beautiful arguments that can be passively contemplated. Rather, all genuine Communists do so in order to arm the working class and its allies with a correct perception of their tasks and obstacles in the struggle for socialism. It is not sufficient to learn from the books by Marx, Lenin and the others about general principles and laws of human society and the class struggle. What is key is the use of their **method** and the **universal** elements in their writings to do a concrete analysis of Canadian reality, for a Mao Tse-tung said, **"to lead the revolution to victory, a political party must depend on the correctness of its own political line and the solidity of its own organisation." [67]**

In trying to resolve the question of the unity of Marxist-Leninist forces in Canada many comrades have approached it from the angle of how to reach unity among existing groups. (Historically the question of Canadian political economy has been emphasized to different degrees by different groups in this regard.) We take a different angle on the entire question, and advance the **objective need** for a thorough, concrete and correct analysis of Canadian reality, based on the scientific Marxist-Leninist viewpoint and approach. Neither IS! nor CCL-ML has developed such a line; in fact, neither major group has made large strides in that direction. Resting content with fairly mechanical 'application' of general principles and formulas, the resulting political lines, if put into practice, would lead the Canadian proletarian revolution to defeat. When we put forward the need for Marxist-Leninists to unite around a correct understanding of the Canadian reality, **it is because otherwise the revolution will fail,** not because fuzziness on these questions would lead to improper forms of unity among Communists.

The strategic line of CCL-ML, in particular as expressed in their formulation and elaboration of what they consider to be the present principal contradiction in Canadian society, leads directly to disastrous consequences for the revolution. Their characterisation of the Canadian bourgeoisie and its position vis-a-vis the superpowers and the Canadian political economy itself is fundamentally erroneous. This pamphlet attempts to show that their analysis' does not correspond to reality. But what consequences would this line have for the fate of the Canadian revolution?

Firstly, and most obviously, by mystifying US imperialism so that it is seen as only an external force and not in direct contradiction to the Canadian proletariat as a class, it is made to appear as a power still seeking hegemony and one which would only **react** to a struggle for power in Canada, rather than being intimately involved from the start in dousing the revolutionary fires. This wrong analysis would lead directly to the Canadian working class being prepared only for military resistance from the relatively puny Canadian armed forces. As well, because of their conception of US imperialism as opposed to the 'entire people' the League's line would put forward the strategic goal of **national liberation** as soon as the US troops crossed the border and thus postpone the struggle for proletarian power itself til the Americans were driven out. Our view would certainly not ignore the possibilities of mobilizing patriotic petty-bourgeois to defend the proletarian revolution, but the strategic goal would remain the same.

Of more immediate relevance is the CCL-ML position which sees the Canadian bourgeoisie having essentially contrary interests to US imperialism and the desire to advance them through defense of Canadian national indepei.dence, etc. Certain elements of this fantasy are collapsing under their own weight (e.g.the League's reversal of its line calling for the strengthening of the Canadian armed forces) but as long as CCL-ML's determination to ascribe an independent imperialist character to the Canadian bourgeoisie persists they will see possibilities for getting one part of our main enemy to fight the other over fundamentals such as national independence.

Perceiving US imperialism as an external force which would arrive on the scene as power is passing to the proletariat rather than long before, and perceiving the weak Canadian bourgeoisie as our sole enemy and even they as a potential ally against the US would have the effect of leading the proletarian Party into adventurism as well as right opportunsim and would needlessly endanger the lives of countless revolutionaries and ultimately that of the revolution itself. (CCL-ML has made contradictory statements on whether the proletarian revolution will bring US imperialism to the fore - as implied by their placing it in a secondary contradiction, or will defeat it - as expressed in the Forge (Jan. 6/77, p. 6)

The line which envisions the principal contradiction as opposing the Canadian proletariat and the Canadian bourgeoisie also leads to underestimating the potential for using vacillating allies and neutralising possible enemies. Ways must be found to use the different interests of various classes and strata in opposing US imperialism to the benefit of the socialist revolution. (We are not talking of a two-stage revolution, but of a similarity of interest which could be used to help achieve a one-stage revolution.) That analysis and resultant strategy which sees no commonality of interests between the workers and other classes in opposing US imperialism need not worry about being tainted with the charge of 'bourgeois nationalism' but will do the workers and revolution a disservice by rejecting possible sources of strength.

The revolutionary forces in Canada will support the struggles for national liberation and socialism throughout the world. However, because of the fact that the US bourgeoisie is an internal enemy of the Canadian proletariat, the links between the revolutionary forces in Canada and the US will be at a higher level. The proletarian forces in one country should never **rely** on those in another - quite the contrary, we must rely on our own resources - but this is another example of the strength which the revolutionary struggle would lose with the erroneous viewpoint of the League as its guiding strategy.

As for IS!, we haven't had sufficient time to really study and criticise their article on 'The Path of the Canadian Revolution' in **Proletarian Unity** 3. But its clear that their understanding of Canadian political economy and resulting strategy don't hold the same dangers for the revolution as those of the CCL-ML. They share many of the League's assumptions about the Canadian bourgeoisie, but this doesn't prevent them from recognising certain facts about the influence of US imperialism in Canada. Their line is, however, not based on a correct understanding of the situation and it is internally inconsistent and contradictory. They could easily fall into the same errors as the League, but as things stand we see IS! as having a relatively confused and unclear line, while CCL-ML has a clearly erroneous line on the question.-

And so, the RSC is firm in the belief that the shared perspective of the two main Canadian Marxist-Leninist groups (which sees Canada as an independent imperialist power and sees the principal contradiction as opposing the Canadian bourgeoisie to the Canadian proletariat) must be defeated within the Marxist-Leninist movement for unity around a correct line to come about. This is not because otherwise our group and others would be excluded (or would exclude themselves) from the party, but rather because such a party would not represent a correct application of Marxism-Leninism to Canada and would thus be unable to lead the working class to victory.

The Use of Tim Buck

A previous chapter demonstrated that Canada and the Canadian bourgeoisie are clearly **not imperialist,** even if they exhibit minor imperialist characteristics in an isolated way. A few criticisms remain of the approach of CCL-ML and IS! on this question.

Firstly, we must wonder at the reliance on Tim Buck and the Communist Party of Canada. Even if this party was a genuine proletarian party in the 1920's and 1930's , it became a Browderite revisionist party, based on bourgeois reformism. Tim Buck, in particular, totally accepted Browder's thesis on the progressive character of American imperialist democracy, and made sure that socialism wasn't put forward as the Party's strategic goal. He was in the vanguard of the worldwide betrayal of Marxism by the Communist Parties of most countries and remained a servant of Soviet revisionism till his death.

Yet comrades in both major Marxist-Leninist groups use him as a proven 'Marxist-Leninist' source on such a crucial question as Canada's role in the imperialist era. We think that this flows from a mistaken idea of what it means to lear,n from the history of the revolutionary movement in our country.

Both Workers Unity Toronto (and by default CCL-ML who have not repudiated the position of this group which later joined them) and In Struggle! attribute an essentially correct line to Buck and see the degeneration of the CP as a consequence of the continued survival of bourgeois nationalism in the Party in spite of Buck and Co.

Workers Unity Toronto quotes Buck approvingly in his anti-Leninist thesis that **"...the sole test [of whether or not any state is imperialist], is the structure and the level of development which characterizes its national economy."** (Canadian Revolution, No. 2, p. 26)

IS! (on pp. 26-27 of PU3) approves of the position developed by Sam Carr and friends in Moscow and later accepted by Tim Buck.

Buck certainly started in the 1920's with a Kautskyite view of imperialism as being **solely** a matter of annexation of territory, but his change to a 'Leninist' view was purely formal. He ended up saying that territorial annexation and the struggle among the imperialist powers for redivision of the world had nothing to do with the essential characterisics of imperialism. His 'rectification' in terms of Canadian reality, was to **assume** that since the overthrow of British colonialism wasn't the strategic goal of the Canadian revolution, that, therefore, Canada was a typical imperialist state. Needless to say, IS! and CCL-ML in following Buck perpetuate the same contempt for theory and concrete analysis.

IS! explicitly and Workers Unity Toronto by implication maintain that it was 'bourgeois nationalism' (based on a lack of firmness on the fact that Canada was an imperialist power?) which led Buck and the CP to revisionism.

"However, as witnessed by their practice, the recognition of the imperialist character of the State and the Canadian bourgeoisie remained quite relative and marked by much wavering. At the very least, this led the Party to adopt an attitude less than firm with regard to the question 'who are our friends, who are the enemies' of the Canadian revolution. The reason for this is that the rupture with bourgeois nationalism was not sufficiently accomplished and the Party did not in a determined fashion start from a proletarian point of view to develop its criticism of imperialism." (PU3, p. 27)

What led the CP to revisionism? What about its abandonment of revolutionary unionism and the interpretation of the 'united front against fascism' strategy to mean the struggle for capitalist democracy in the mid-thirties? What of the swelling of the ranks during the Depression years and after with militant unionists and bourgeois intellectuals with no concern for whether they were actually communists? What of the servile attitude toward both the Russian and American parties? What of the influence of Browder's theories and the taking of Soviet **foreign policy** as their guiding strategy, thus advocating peaceful coexistence as a policy toward the class enemy, and the eventual opposition to wars of national liberation because they might provoke the Americans into nuclear attack on the Soviet Union?

If IS! and others think that bourgeois nationalism led to •revisionism and the abandonment of the strategic goal of socialism, can they inform us of when the focus of the CP's work was socialism in Canada (as opposed to colonial freedom, industrial unionism, democracy, peace, 'detente', or 'putting monopoly under control')? In fact, the evidence indicates that the CP's appeals in the 1950's and 1960's for the bourgeoisie in Canada to oppose the US were solely directed at withdrawing Canada from NATO and other US-dominated bodies as a means to weaken the US vis-a-vis the USSR. The CPs in other American-dominated capitalist countries, including the imperialist countries in Europe, were doing the same thing. Did they all suffer from bourgeois nationalism and the illusion that they were not living in imperialist countries? Hardly.

The history of the Canadian Communist movement remains very much to be investigated and analysed by the new generation of Communists. In the meantime, we should avoid making the error of assuming that the CP's path to revisionsim followed the same time-frame as that of the CPSU. Positions advanced by CP leaders **at any time** in the Party's history ought not to be accepted at face value (as the bulk of our movement seems to do) simply because they contain some pious references to Leninism.

Those comrades who rely on revisionists such as Buck to substantiate their arguments illuminate their own failure to understand the two-line struggle in the Canadian Communist movement more than they illuminate the actual Canadian reality, past and present.

The Fundamental Contradiction

Canada is a capitalist country. The bourgeois and the proletarian world views confront each other directly here. There are no anti-feudal bourgeois democratic tasks to be accomplished. The immediate next stage in the march of history in Canada is socialism, dictatorship by the working class in its own interests against the interests of the capitalists.

We say that because the internal dynamics of Canadian society have fully reached the era of capitalism, that the **fundamental contradiction** is that one characteristic of all capitalist societies, i.e. between labour and capital. As Mao Tse-tung said:

"When Marx applied this law [the law of contradiction] **to the study of the economic structure of capitalist society, he discovered that the basic contradiction of this society is the contradiction between the social character of production and the private character of ownership. This contradiction manifests itself in the contradiction between the organized character of production in individual enterprises and the anarchic character of production in society as a whole. In terms of class relations, it manifests itself In the contradiction between the bourgeoisie and the proletariat." (On Contradiction,**MSW, Vol. 1, p. 329)

"The fundamental contradiction in the process of development of a thing and the essence of the process determined by this fundamental contradiction will not disappear until the process Is completed; but in a lengthy process the conditions usually differ at each stage. The reason is that, although the nature of the fundamental contradiction in the process of development of a thing and the essence of the process remain unchanged, the fundamental contradiction becomes more and more intensified as it passes from one stage to another in the lengthy process. In addition, among the numerous major and minor contradictions which are determined or influenced by the fundamental contradiction, some become intensified, some are temporarily or partially resolved or mitigated, and some new ones emerge; hence the process is marked by stages. If people do not pay attention to the stages in the process of development of a thing, they cannot deal with its contradictions properly." (ibid. p. 325)

The 'process' which concerns Canadian Communists the most is the historical process of our own country, of Canadian society. Although external factors - elements of the **world** process - have a bearng on Canada, it is internal forces which are determinant.

We must be careful to note that the • fundamental contradiction refers to **social forces** rather than particular historically and geographically consituted classes. For example, the fundamental contradiction in both capitalist and socialist societies is that between the bourgeois and proletarian forces. Yet the bourgeoisie in power before the revolutionary seizure of power is not the **same actual class** as that which inevitably emerges within the Party and state apparatus after the revolutionary victory. Nevertheless, they both represent bourgeois interests as represented in the fundamental contradiction.

The Principal Contradiction

As Mao said, there are **stages** within each era. He cites as an example the change from the capitalism of free competition to monopoly capitalism within the same era and the same fundamental contradiction. We identify the leading contradiction within the process at each stage as the **principal contradiction.** Identifying and understanding this contradiction in its particularity allows us to see where the process is going and what forces must be confronted in order to advance the general struggle to resolve the fundamental contradiction.

In terms of society, the principal contradiction is the one which describes the forces in direct contradiction to one another. In a capitalist society such as ours where the struggle is an immediate one for proletarian power, the principal contradiction is basically a reflection of the fundamental contradiction - in other words it opposes bourgeois and proletarian forces. In trying to deal with the particularity of this contradiction in Canada we have concluded that US imperialism and the Canadian monopoly bourgeoisie are inseperable as representing the capitalist forces. This is because of the nature of the Canadian bourgeoisie and the fact that US imperialism directly exploits the Canadian proletariat in a big way - it is in fact an **internal** factor in the **Canadian** process. Canadian society entered a new stage in the development of its process when US imperialism supplanted the British as a dominant force in Canadian society and the principal contradiction changed accordingly.

Both the CCL-ML and In Struggle! are unclear about the connection between the fundamental and principal contradictions. In essence, they take the fundamental contradiction and simply add 'Canadian' before the words 'bourgeoisie' and'proletariat'. Since we live in a capitalist society, it is assumed that 'the Canadian bourgeoisie' by definition adequately summarizes the capitalist forces opposing the proletariat in its struggle for power. These groups fall into this error becuase they fail to see US imperialism as an internal force and have convinced themselves that Canada is an independent imperialist power.

While IS! has some understanding of the underlying factors in the process of Canadian society - including US imperialism (although it identifies it as an external force), CCL-ML completely ignores underlying factors and relies only on surface phenomena in their definition of the principal contradiction.

"A correct position on the principal contradiction is thus the central element to the definition of a scientific strategy. An error on this question will have serious consequences for the future of the working class movement and that of the communist party.

In **Canada today, the fundamental antagonism between the bourgeoisie and the proletariat can be seen in the daily clashes between the two irreconcilable enemies.** (We assume this refers to the principal contradiction) **The intensification of the repressive political and economic measures by the bourgeoisie on the one hand and the multitude of legal and illegal strikes with the strengthening resistance of the proletariat on the other, are concrete manifestations of this antagonism." (Statement,** p. 42)

We fully agree that Canada is a capitalist country in which the fundamental contradiction is between the proletariat and the bourgeoisie. The League, however, goes on to pose the rhetorical question:

"Is there anything in the concrete conditions in Canada today that would lead us to believe that the fundamental contradiction is not also, at the present time, the principal contradiction?" [ibid]

Marxism teaches us to look more deeply into phenomena. Our analysis shows that there is good reason to question the CCL-ML's conclusion. The clashes between workers and capitalists in Canada at this time, with the Canadian state playing a prominant role in repressing the workers, are not sufficient to prove that the principal contradiction is the Canadian proletariat vs. the **'Canadian** monopolist bourgeoisie'. The League is trying to glorify what is essentially an economic struggle to the level of revolution. It is true that the working class has been forced more and more to defend its economic interests in the face of the deepening crisis in capitalism. In its 'daily clashes' for social reforms and economic gains the working class is opposed directly by capitalists and the bourgeois state. At this time, workers are not engaged in these struggles as a political class, not as a 'class for itself. When the proletariat does constitute itself as a conscious, revolutionary threat, when it does challenge the very existence of the state, it will find opposing it not only the Canadian ruling class, but also the American imperialists. To this extent, the League itself admits that immediately after the overthrow of the 'Canadian monopolist bourgeoisie', the proletariat will take up the task of evicting the US imperialists. Given the interests that the Americans have in Canada, does this mean that they will sit idly by while the Canadian bourgeoisie is deposed? US imperialism does not constitute a separate and secondary aspect of capitalist oppression in Canada. It is implicated in Canada to such an extent as to be an **internal** enemy opposing the Canadian working class. Not only does American imperialism have great influence in the politics, economics and culture of Canada, but also a large part of the working class is subject to imperialist American trade unionism.

Secondary Contradictions

Secondary contradictions are important contradictions in the process of a thing, whose resolution or development depends on that of the principal contradiction. Like the principal contradiction, they represent **internal** forces, in terms of countries they represent factors at the national rather than the international level. They are not **possible** contradictions but actual living contradictions which are found in the dynamics of a country.

The US imperialists are an internal factor in Canada, unlike the USSR and lesser imperialist powers such as Japan, even though both the latter have some economic and political influence in the country. Essentially they remain as outside forces striving to get in through one means or another. The USSR would have to supplant US hegemony in Canada to become an internal factor. This would come about either through domination of our economy and the resultant political control, or through direct military aggression and occupation. The RSC considers neither possibility as very likely in the next period.

Our strategy for the Canadian revolution, the transformation of Canadian society, must not base itself on external contradictions. Mao Tse-tung, in a document circulated in early 1946 among leading Chinese Party people to counter the pessimism on the internal situation, outlined the compromises which a socialist country, the USSR, could make on an international, state-to-state level with the imperialist powers in attempting to preserve peace and democracy, but emphasized that such compromises:

"...can be the outcome only of resolute, effective struggles by all the democratic forces of the world against the reactionary forces of the United States, Britain and France. Such compromise does not require the people in the countries of the capitalist world to follow suit and make compromises at home. The people in these countries will continue to wage different struggles in accordance with their different conditions." [Some Points in Appraisal of the Present International Situation, MSW, Vol. 4, p. 87]

In other words, in the present situation we should support the Marxist-Leninist analysis of the world situation as a **process of its own,** and support socialist countries in making the compromises necessary on this plane. But we must concern ourselves above all with the concrete conditions **internally** and on that basis determine our revolutionary strategy.

CCL-ML's miscomprehension of the principal and secondary contradictions stems largely from not understanding the difference between **internal** and **external** processes. Secondary contradictions must consist of internal forces if their resolution is to be determined by the outcome of the principal contradiction. CCL-ML puts forward as the main secondary contradiction that between the superpowers and the 'Canadian people'. US imperialism is in contradiction to the working class and partially to petty bourgeois strata. It is only insignificantly in contradiction to the monopoly bourgeoisie in Canada. It represents an internal force, not an external one 'seeking hegemony' since it already has hegemony in Canada. The USSR on the other hand, **is** in contradiction to all classes in Canada, aside from their direct lackeys. However, it represents a **potential threat,** not a **present internal force.** We think that the difference is crucial in determining the 'path of the revolution' and understanding the attitude of the Canadian proletariat toward those classes in Canada which will oppose the Soviet Union.

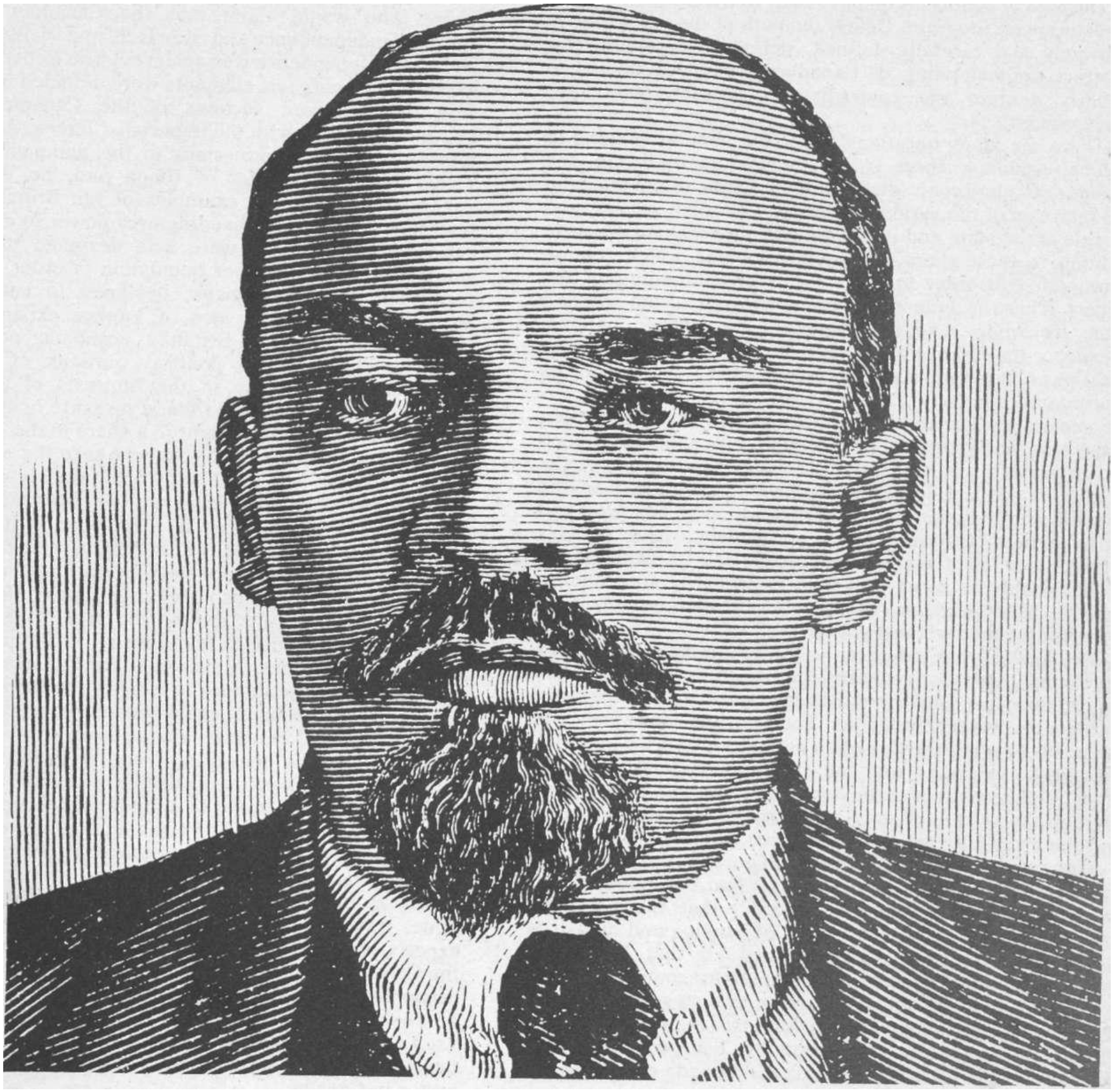
We make no claims as to which among them are the most important, but we see the following as the most significant secondary contradictions in Canadian society: the national oppression of the Quebec nation; the oppression of Native Canadians; the oppression of women; the oppression of immigrants and racial and language minorities; the contradiction between farmers, fishermen and other petty bourgeois on one hand, and the Canadian monopoly capitalists and American imperialists on the other hand; regional inequality resulting in poverty, unemployment, etc.

We share IS's view that there is an alliance between the Canadian bourgeoisie and US imperialism in our country. But problems arise because of a difference over whether the latter is an internal force. Since for IS it is not, and since for that group the Canadian bourgeoisie is a true imperialist bourgeisie, it has a different idea about the nature of this alliance.

IS correctly attacks the dogmatism of the CCL-ML on p. 29 of **PU3.** The League cannot conceive of any other situation aside from American imperialism dominating a comprador Canadian bourgeoisie, or else a relationship where the **"essence...is contention" (The Forge,** Vol. 1, No. 19, p. 11, quoted in **PU3,** p. 29). However, IS answers the League with the advice to understand the particularity of the rivalry, which according to IS is involved with alliance between the two. Thus, IS conceives of the alliance as something temporary; the aspect of contention could emerge as dominant in the relationship just as magically as the aspect of collusion emerged in the history IS described in **PU3.** For us, the alliance is fundamental to the relationship between the two capitalist classes.

Footnotes

[67] ON CONTRADICTION MSW, Vol. 1, p. 315



Conclusion
Canada-- an Economic Colony of the US

The area of political economy is key to the development of a revolutionary program. Unless the path of the revolution is accurately and carefully defined, defeat is inevitable. An incorrect understanding of Canadian society, a failure to properly analyze the contradictions present, will have disastrous effects.

There are many questions under the general heading of political economy. There is the principal contradiction, the various secondary contradictions, the analysis of the make-up and interests of the various classes in Canadian society, and the role of the state and its relation to the economic base. In addition to these there are other questions which require examination in order to have a full understanding of the subject. These include an historical analysis of the working class, its origins and its struggles, the Quebec national question, the Native national question, the particular questions about women and the nature of the external forces bearing on Canada.

Some of these questions have been given some examination in the new Marxist-Leninist movement, others have not been addressed at all. In this, our first major contribution to the debate on political economy, we have concentrated on the principal contradiction and, in particular, on an historical and contemporary analysis of the principal aspect of this contradiction - the Canadian bourgeoisie and US imperialism. It should also be noted that ours is primarily an economic analysis. Many questions of the political superstructure have been left for future investigation.

Our analysis has led us to the conclusion that Canada is a developed capitalist country (although with significant distortions caused by the particularities of its development) with bourgeois social relations. The principal contradiction in Canada is between the Canadian bourgeosie and US imperialism on the one hand and the Canadian proletariat on the other. The resolution of this contradiction will be achieved through the seizure of state power by the proletarian forces and the establishment of a proletarian dictatorship.

The points of divergence between ourselves and others in the Marxist-Leninist movement are (1) that US imperialism is an internal force in Canada; and (2) that the Canadian bourgeoisie never achieved a unity of banking and industrial capital to form finance capital; and (3) that Canada is primarily an imperialized and not imperialist country. In other words, the issue is not one-stage or two-stage revolution - there is no question among Marxist-Leninists that the principal contradiction is between the bourgeoisie and the proletariat. The issue is what forces in Canada constitute the bourgeoisie.

The failure to recognize US imperialism as an internal force and a part of the principal contradiction is a critical 'left' opportunist error. It is a drastic underestimation of the strength of the bourgeois forces. It will leave the proletariat unprepared for the strength of the counter-attack against the attempt to seize state power, resulting in the defeat of the revolution and untold suffering for the revolutionary forces.

In the historical section of this pamphlet we traced the development of the Canadian bourgeoisie as it emerged in the colonial days of the fur trade into the present era. The consistent trend throughout was its pre-occupation with merchant and transportation sectors of the economy. It built up an infrastructure of canals, later railroads and even later of great electric power generation systems. It designed its laws to encourage and at times to force foreign industrial capitalists, principally American, to invest in the resource and manufacturing sectors of the economy. This was true of the National policy and of the tariff laws in general. Meanwhile it carefully guarded its control of the banking system, the base of its power.

No bourgeoisie has ever willingly given up its power. Those who would claim that the Canadian bourgeoisie achieved independence and is, in fact, imperialist, must show how this independence was achieved. The Rebellions of 1837 led by petty-bourgeois elements were defeated by the British with the dominant sections of the Canadian merchant bourgeoisie siding with the imperialist forces. Although they represented some concessions to the nationalist sentiment within Canada, the Act of Union and the British North America Act were not examples of the British imperialist bourgeoisie voluntarily handing over power to an indigenous capitalist class. These were acts designed to spread the colonial debt over a wider population in order to guarantee repayment of British loans, designed to consolidate the British position in the face of Yankee expansionism and designed to maintain Britain's economic position while relieving them of the political burdens of direct rule. Confederation was also in the interests of the Canadian bourgeoisie in that it gave them a measure of state power as well as recognizing their right to a share in the plundering of the Canadian proletariat. Those who take the opposing view might recall the long and bloody revolutionary war fought by the Thirteen Colonies to achieve their independence.

The American bourgeoisie developed quite differently. Basically a merchant class at the time of their revolution, the bourgeoisie of the northern states were forced into industrial development. The British blockade during the Napoleonic Wars and in particular around the War of 1812 forced the Americans to produce at home many of the goods they had previously traded for. Meanwhile, the Canadian bourgeoisie was huddling close under the wing of the British.

The American bourgeoisie became interested in Canada as a source of raw materials and as a conduit for their exports into the Empire markets. Thus began the historical relationship between the Canadian and American bourgeoisies - a relationship based on a fundamental compatibility and mutuality of interests. The Canadian bourgeoisie welcomed and encouraged American investments in the resource sector. Canadian banks supplied the financial services to the great American monopolies and the products of the forests and mines travelled on Canadian railroads. Similarly, American exports to the Empire via Canada reaped great profits for the Canadian bourgeoisie. Seeing the need for a more stable economic base and wanting to increase the volume of traffic on their transportation system, the Canadian bourgeoisie used the carrot of Empire preference and the stick of high tariff walls to encourage Americans to create a manufacturing sector in Canada.

The question may be asked by some that if the British did not give up economic control of Canada voluntarily in 1867 how did this control pass to the Americans without the Americans having to win Canada in war? The answer to this is straightforward. The Americans established themselves in Canada in the late 19th century through direct investment. The British, basing their imperialist plunder on portfolio investment, were willing to allow American investment to come into Canada. It should be recalled th at the railways which had been built with loans from British investors, were rendered much more viable by the movement of American goods. From this base, the Americans were able to take advantage of Britain, weakened by its imperialist and inter-imperialist **wars** (in particular World War One) to become the dominant power in Canada.

The period around the turn of the century was one of the formation of cartels and then monopolies. A merger of banking and industrial capital took place to form finance capital. This process is clearly identifiable in the imperialist countries of Europe. Cartels and monopolies were also formed in Canada. However, there was one important difference. There was no overall merger of Canadian financial and industrial capital. There was no finance capitalist class formed. The banks stood on the sidelines promoting the formation of monopolies and profiting greatly from the buying and selling of securities. The banks did not acquire controlling shares in the industrial joint-stock companies that were formed. In fact, many of the mergers facilitated by the Canadian banks were of American controlled companies using British portfolio investment. The Canadian banks acted simply as middlemen.

There has not been a merger of banking and industrial capital in Canada to this day. The presence of directors of Canadian banks on the Boards of Directors of the **subsidiaries** of American corporations does not prove otherwise. The situation remains one of a Canadian bourgeoisie concentrated in the banking, merchant and transportation sectors and an industrial sector dominated to a great extent by US imperialism.

This division of roles can also be seen in third countries. As the Canadian bourgeoisie saw its home market grow over-ripe in the kind of investment it was able to profitably make, it looked elsewhere for profit. Turning mainly to the United States as well as Europe and Latin America, it invested in basically the same fields as it had at home - banking, railways, insurance and utilities. It played much the same role in relation to US industrial investment internationally as it did in Canada.

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American investment in Canada has steadily expanded. By 1922 it had passed Britain as the largest investor in Canada. By 1970 the US had over $21 billion in direct investment alone in Canada. This makes Canada the number one recipient of American investment in the world by a very wide margin. Meanwhile, in 1970 there were about $6.2 billion in direct investments originating in Canada. Forty four per cent of this was owned by non-residents of Canada. Therefore the actual total of imperialist investments by Canadians was about $3.4 billion. With over half of this in the US and about another 20% in Second World countries, Canadian-controlled direct investments in the entire Third World amounted to less than $1 billion at most in 1970. There is no question that these investments are imperialist in nature. There is no question that the people of the recipient countries are exploited by the Canadian bourgeoisie. But the question remains. What is the fundamental nature of the Canadian economy? The evidence so far shows that clearly it is an economic colony and not an imperialist country.

But there is more. Over 60% of Canadian trade is with the United States. Much of this is transfers between parent companies and branch plants, putting much of the decision-making in this sphere in American hands. Canada, overall, is heavily dependent on American research and development for its technological advancement. American corporations in Canada are bound by American laws. Thus potash companies operating in Canada (along with Saskatchewan politicians named as unindicted co-conspirators) are charged in American courts under American anti-combines legislation. Companies operating in Canada are bound to refuse to deal with Canadian trading partners because of the American Trading With the Enemy Act. Investment decisions in much of the Canadian industrial sector are made in the United States.

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Keeping in mind that Lenin was defining an era and that he considered his economic definition inadequate, lets take a look at his five criteria. Does the evidence support those who insist on using quotes from Lenin to prove Canada imperialist? Certainly there has been a **"...concentration of production and capital developed to such a high stage that it created monopolies which play a decisive role in economic life."** However, our investigation has shown that in the manufacturing and resource sectors of the economy the monopolies are predominately foreign controlled; while the Canadian bourgeoisie controls, in the main, the monopolies in the commercial, banking and transportation sectors. **"The merging of bank capital with industrial capital and the creation, on the basis of this, 'finance capital', of a 'financial oligarchy'."** The evidence is quite clear that there has been no such merger of Canadian banking and Canadian industrial capital. **"The export of capital, which has become extremely important, as distinguished from the export of commodities."** Canada, with an **annual** GNP in excess of $160 billion and with **annual** exports of commodities in excess of $30 billion, has **total cumulative** investments abroad (direct and portfolio) of about $5 billion. Is this evidence of "extreme importance"? As for the forth and fifth features, what Canadian capitalist monopolies have grabbed a share of the world, and just what territory was it that Canada got in the division of the whole world?

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In addition to Lenin's definition there are non-economic characteristics of imperialism. Culturally, there is no doubt that in English Canada at least, American imperialism has virtually eliminated any indigenous culture. If they've begun listening to Stompin' Tom in Jamaica we haven't heard about it.

Canada has not created an apparatus (army, secret service, imperialist trade unions, etc.) capable of maintaining and defending an imperialist empire. In fact, the real issue is - to what extent does the Canadian bourgeoisie hold independent state power in Canada? The Canadian bourgeoisie does hold state power and carries out its attendant functions. But it would be foolish to claim that an imperialist bourgeoisie could hold the economic power that the Americans do in Canada without a significant measure of political control as well. The historical relationship between the Canadian and American bourgeoisies has been fundamentally one of compatible interests. This means that, in general, decisions made in their own interests by the Canadian bourgeoisie have also been in the interests of U.S. imperialism. However, these matters are not left entirely to the coincidence of compatible interests. Canadian politicians are fully aware of the economic repercussions that could be brought to bear in response to the charting of too independent a political course. And further, the great American monopolies exercise much influence in the political affairs of the country - through the movement of individual members of the bourgeoisie from the corporate boardrooms to the various Cabinets and through all those subtle means that come with economic power.

The evidence is clear that U.S. imperialism is an internal force in Canada. It dominates the surplus value producing sectors of the economy. Millions of Canadian workers are directly exploited by U.S. imperialism. The Canadian armed forces are geared, under the control of the Americans, to the defence of the continent and of American interests abroad. American imperialism exercises direct influence in the political affairs of Canada. The struggle against U.S. imperialism is not a national struggle against the hegemonism of an imperialist power, it is part of the class struggle against the bourgeoisie.

Canada in the World Context

The Red Star Collective will shortly be publishing a pamphlet on the international situation and Canada's place in it. Since we are unable to publish it in conjunction with this paper on political economy, we thought it important to summarize our position on how the international situation affects the path of the revolution in Canada. What follows is a general statement on the international situation and then an examination of two specific questions which bear directly on the principal contradiction.

Overview

The present era is that of imperialism, the development of capitalism to a higher stage. During this era the great imperialist powers struggle to exploit and oppress the entire globe. They divide the world among themselves, each one seeking to protect its interests in its own domain and expand into the domain of the other imperialist countries. Therefore, a struggle for the redivision of the world goes on and eventually leads to aggressive wars between the great imperialist powers. During this era peoples of the imperialized areas attempt to throw off their imperialist exploiters by engaging in wars of national liberation. In the capitalist countries the fundamental contradiction between the proletariat and the bourgeoisie leads to revolutionary wars. Thus the imperialist era is characterized by three types of wars: wars of imperialist redivision; wars of national liberation; and by proletarian revolution.

We are at the stage when the entire system of imperialism can be defeated through socialist revolution and eventually communism. The question is how to effectively mobilize the forces that can accomplish this task.

The world is divided into three main types of countries, or three worlds: the first world, consisting of the great imperialist powers which seek hegemony on the world scale; the third world, the countries on the road to development which have just emerged from colonialism and whose main task is to obtain and consolidate national liberation; and the second world, the developed countries between the two which both exploit and oppress other countries to some extent and are themselves exploited and oppressed by the first world countries.

Today there are only two countries which are able to seek hegemony on a world scale - the United States and the Soviet Union - commonly known as the superpowers. The United States grew up as a superpower after the Second World War, taking advantage of the weakness of other imperialist countries to move into their former colonies. During the 1950's and 60's the United States was the most dangerous enemy of the world's people. However, more recently the Soviet Union has become the more aggressive superpower. This is because the Soviet Union is the newer imperialist power, having gone through a process of degeneration from a socialist country to a capitalist, imperialist country since the Second World War. Arriving late on the scene, the Soviet Union found the world already divided among the other imperialist countries. It has, therefore, had to resort to adventurism in order to acquire colonial-type possessions. (Angola is an example of this.) The Soviet Union, because of its socialist past, has not been fully exposed as an aggressive imperialist superpower. For these reasons it must be regarded as the more dangerous superpower and the most likely source of war.

The Second World is composed of such countries as France, Belgium, Poland, Bulgaria, Australia, Japan, and Canada. Many Marxist-Leninists hold that because these are developed countries they are necessarily imperialist; we do not agree. It is necessary to ascertain which aspect of the dual nature of a second world country is principal. Most Western European countries are imperialist. In Canada and the Eastern European countries, however, the aspect of domination by one or the other superpowers is principal and greatly affects the role these countries play in world affairs.

Most countries of the world belong to the Third World. The vast majority of the countries of Asia, Africa and Latin America are in the process of struggling for national liberation. Some of them are still colonies, while others have attained only minimal independence and must still struggle for real independence. These countries are in contradiction to all the imperialist countries, but their main enemy is the superpowers. As the peoples of the Third World achieve national liberation they weaken the imperialist countries and so strengthen the world revolutionary forces.

We include in the Third World, the socialist countries since they do not exploit or oppress other countries and are fundamentally opposed to imperialism. Even though socialist countries may become developed over time they could never become first or second world countries because they would not exploit or oppress other countries.

The present day process is moving forward through four basic types of contradictions:

i) The contradictions among the imperialist powers including Soviet social imperialism. The most important of these contradictions is between the two superpowers.

ii) The contradicitions between the imperialist countries and the oppressed nations. The most important of these contradictions are those between the First and the Third Worlds.

iii) The contradiction between the proletariat and the bourgeoisie in the capitalist (including revisionist) and socialist countries. A change in the ruling class in any of these countries will have a great effect on the entire world situation.

iv) The contradiction between the capitalist and the socialist countries. At present these contradictions are mainly manifest in the occupation of Taiwan and southern Korea by the United States and threats on Albania and China by the Soviet Union.

Of all these contradictions the ones between the superpowers and the oppressed nations are principal. The resolution of these contradictions will be great victories for the people of the world. The proletarian and progressive forces of the Second World must join forces with the revolutionary forces of the Third World to form a world-wide united front against the two superpowers. In struggling against the superpowers great blows can be struck against the imperialist system itself.

The contradictions among the imperialist powers themselves are very important. The two superpowers are presently actively preparing for war in Europe. The Soviet Union is particularly aggressive. It has already achieved domination over Eastern Europe and is trying to expand its influence into the western sector. The superpowers are after the markets, the industries and resources of the European continent to gain more profits for themselves and to use Europe as a stepping stone for taking over the rest of the world. Each superpower must attempt to grab Europe for itself, not only to gain strength, but to prevent the other superpower from getting it. As far as the proletarian forces are concerned this is a contradiction between two enemies. Given the present situation in the world, there is no basis for proletarian forces to ally with one superpower against the other. This would not advance the struggle for socialism.

In Western Europe the bourgeois ruling classes have interests in contradiction to both superpowers. It is possible that certain sectors of these bourgeoisies can be led to fight to defend their class interests and so join a national united front against the superpowers. They can also be led to unite with other European countries against the superpowers. The strengthening of forces in opposition to the superpowers is an effective means of postponing war and giving the revolutionary forces time to build. The proletariat must take advantage of these contradictions, but must maintain leadership and independence within any united front. The struggle closest to the interests of the proletarian forces in Europe remains proletarian revolution.

Canada is a developed capitalist country of the second world, under the domination of the United States. In.this pamphlet we have shown that the principal contradiction in Canada is between the Canadian bourgeoisie and U.S. imperialism on the one hand and the Canadian proletariat on the other. U.S. imperialism is a direct and internal enemy of the Canadian proletariat. The Canadian proletariat will come up against both the Candian and American states in the course of making socialist revolution, though the aim of the revolution will be to seize Canadian state power.

The Soviet Union on the other hand is not an internal threat, nor is it contending for hegemony over Canada by external means. As long as this situation continues, the Soviet Union is unlikely to step in directly in the event of revolution in Canada. The actions of the 'Communist' party, which would serve the interests of the Soviet Union, will have to be countered by propaganda, agitation and whatever other means are necessary.

Although Canada is not the main focus of contention between the superpowers, it would be part of a Third World War. If war were to break out in Europe, the United States would drag Canada into it through its NATO connections. Canadian troops would serve as cannon-fodder for American imperialism; Canadian production would be geared to the American war efforts. In the event of an imperialist war Canadian Marxist-Leninists (by that time formed into a party) should lead the proletariat to sabotage the American war effort, cut off raw materials and war production and refuse to fight to defend the interests of U.S. imperialism. It is possible, though not likely, that Canada may become a battleground of the superpowers. In that case the Canadian proletariat should fight against both superpowers to turn the war into a revolutionary war. The proletarian forces all over • the world will be engaged in the same struggle. This position is advanced based on the present world situation. Under different circumstances, it is quite possible that other tactics would be necessary.

However, in Canada there cannot now, nor in the event of war, be a united front including the bourgeoisie against the superpowers. The Canadian bourgeoisie is too closely allied with American imperialism. Any struggle the Canadian bourgeoisie would put up against the Soviet Union would only be to protect its alliance with the American ruling class.

We see our present tasks with regard to the international situation as follows:

i) to support the national liberation struggles of the peoples of the Third World. This includes propaganda, agitation and material support.

ii) To make the Canadian proletariat aware of the growing danger of war and the nature of that war as well as to expose the nature of the superpowers. This includes denunciation of both NATO and the Warsaw Treaty Organization.

iii) To support the revolutionary struggles of the people of the world and to support the struggle of the people of Europe against the superpowers.

iv) TP defend the socialist countries.

All of these actions are not only pur international proletarian 'duties; they effectively help to weaken the imperialist forces •and, therefore, strengthen the proletarian forces in every country including Canada.

This is our orientation toward the international situation. However, the most important contribution we can make internationally is in leading the proletarian revolution in Canada. The first step in that process is to build the Marxist-Leninist party. This remains the central task of the Canadian Marxist-Leninist movement.

Canada - a Second World Country

Canada's major aspect is not that of being an imperialist power, but rather of being an economic colony of U.S. imperialism. The RSC maintains that Canada is a second world country, but similar to Third World countries, Canada has had very limited industrial development due to its domination by imperialism. Although aspects can be found that may lend credence to the imperialist aspirations of the Canadian bourgeoisie, these are limited and often dependent upon a subservient relationship with American imperialism.

It is a popular view that Canada as a Second World country is imperialist. Such a viewpoint has the danger of obscuring the real enemies of the Canadian proletarian revolution. Both national Marxist-Leninist grouping, the Canadian Communist League and In Struggle!, make this claim.

On the question of the Three Worlds, specifically whether belonging to the Second World is synonymous with being imperialist, it is worthwhile comparing this position to the description of the world as put forward by the Chinese at the UN in April 1974. To our knowledge it is one of the fullest statements to have been made by the Chinese on the subject of the Three Worlds. Understandably, the Chinese put great emphasis on the two superpowers of the First World, for they represent the major threat of world war and are the biggest oppressors the world has ever known. Also, they emphasized the role of the Third World, of which China is a part, which is struggling against imperialism in all its forms.

In reference to the Second World, the Chinese said:

"The case of the developed countries in between the superpowers is a complicated one. Some of them retain colonialist relations of one form or another with the Third World countries, and a country like Portugal even continues with its barbarous colonial rule. An end must be put to this state of affairs. At the same time, all these developed countries are in varying degrees controlled, threatened or bullied by the one superpower or the other. Some of them have, in fact, been reduced by a superpower to a position of dependencies under the sign—board of its so—called 'family'. In varying degrees, all these countries haave the desire of shaking off superpower enslavement or control and safe—guarding their national independence and integrity of their sovereignity."

As is indicated in the speech, the case of the Second World countries is a complicated one. The threat posed by the superpowers is common to all Second World countries, though it is felt to varying degrees. As a consequence the dominant aspect of the country can be either as a bully of the Third World or as being bullied by one superpower or the other. Although the Chinese delegate mentioned that some countries, such as Portugal, still retained colonies, this did not mean that all countries in the Second World have colonial or semi-colonial relations with the Third World. What emerges, from the description is a spectrum: at the division with the First World stand the most powerful Second World countries, such as France, the Federal Republic of Germany, Japan and Britain; at the other end are countries that share many features with the Third World.

The most powerful Second World countries exert substantial influence over Third World countries, if not through overt colonial relations, then through political, economic and trade relations. The Japanese, for example, have sizeable interests in South East Asia, particularly in Indonesia, the Phillipines and South Korea. France, too, is an important imperialist power. Not only does it have connections in its former colonies, but it possesses a military capability designed to look after its interests.

At the other end of the spectrum of the Second World are countries that display substantial economic and social development but are largely at the mercy of a superpower. The position of Canada is by no means self-evident within this spectrum. The Eastern European countries are militarily occupied by the Soviet Union as well as being completely dominated economically by the Soviet superpower. The level of military domination of Canada is the integration of its armed forces under the direction of the U.S. through NATO and NORAD. However, economically Canada is in a comparable position in relation to U.S. imperialism as the Eastern bloc countries are to Soviet imperialism.

Canada stands close to a number of other Second World countries which it would be hard to categorize as imperialist. Canada, like Argentina (a country that stands near the border between the Second and Third Worlds), emerged in response to the needs of imperialism. Both countries provided an imperialist economy with natural resources, food for its population, an outlet for its capital and export markets for its industries. Canada, and other 'white' Commonwealth countries, such as Australia and New Zealand, also are comparable. In contrast to the Third World, the indigenous populations have not constituted a 'reserve army' and native labour is marginal to the country's economic development. These countries developed under the influence of imperialism and exhibit an economic development that responded to external demands. As a result these countries do not have integrated national economies. It is doubtful that these countries can be considered to be imperialist, though they belong to the Second World.

The attempts by some Marxist-Leninists to label Canada as an 'imperialist country of the Second World' seems to be sadly lacking in analytical foundation. The Three Worlds analysis should not be used to determine the contradictions existing in a country. It is a summation of the contradictions at the world level. The path of the proletarian revolution will be primarily determined by the internal contradictions.

Canada and the Superpowers

It is generally accepted by Marxist-Leninists that Canada is a Second World country. However, as we have undertaken to show, there is a wide range of conditions possible within the Three Worlds analysis. It has been the mistake of some Marxist-Leninists - the Canadian Communist League in particular - to compare Canada to the general run of capitalist countries in Europe. The fact is that there are important differences between the Canadian situation and that in most of the countries in Western Europe.

Historically. Europe has been the centre of capitalist development. Modern imperialism grew out of European conditions. Countries such as Britain, France and even Holland, are either imperialist or still retain vestiges of their recent imperialist past. In relation to the Third World, Europe as a whole is dependent upon that region for natural resources and cheap labour. In addition, the comparison between Canada and European countries is of a superficial nature because Canada is dominated by United States imperialism in a qualitatively different way. The Canadian ruling class has never seriously challenged the imperialist presence.

In Europe, the contention for hegemony is increasing in sharpness. Soviet social imperialism poses a grave threat to the people of Europe. In the European arena, the two superpowers, although not yet in open conflict, are in confrontation across the line that divides Europe east from west. But in the North American situation, the United States is able to dominate Canada without fear of a direct challenge to their authority so long as the current world conditions persist.

In the event of open conflict the Canadian bourgeoisie will be drawn to support U.S. imperialism. In the immediate sense though, it is Europe that sits uneasily as the focus of contention between the two superpowers.

This situation is hopelessly confused in the CCL 'analysis', which suggests that Canada now is in a position similar to that of Europe. Their consequent representation of the superpower struggle in Canada borders on deception, and certainly misleads the working people on the important point of which superpower is dominant **now** in Canada. Having commited the error of suggesting that a superpower struggle is currently in progress within' Canada, and Consequently in putting Soviet involvement on the same level with United States domination in this country, the League goes on to hopelessly confuse the problem of contradictions. CCL has reiterated its contention that both superpowers - the United States and the Soviet Union - constitute one aspect of **the most important secondary contradiction in Canada.**

In their pamphlet **For the Unity of Marxist-Leninists,** on page 32, the League theoreticians declare:

"We hold that the secondary contradiction of first importance is that between the Canadian people and the two superpowers, particularly American imperialism."

The League is so infatuated with this erroneous conception of contradictions that they inflate every minor trade exchange between Canadian corporations and the Soviets as evidence of 'the Soviet struggle for hegemony in Canada. They even fail to realize that trading relations are for the most part conducted between United States corporations situated in Canada and Soviet trade representatives, with the Canadian government involved only to the extent of having to issue export licences. Furthermore, these claims dwindle when put into perspective; trade with the Soviet Union amounts to about 1.5 per cent of the Canadian total compared to over 65 per cent for the United States.

One of the more laughable examples of League hysteria was a note in Vol. 1, #22 of **The Forge,** about how the Soviet Union steals Canadian fish and sells it back to us. Imports of fish from the Soviet Union by Canada for January to May 1976 amount to two thousands dollars compared to a total from all countries of over sixty million dollars. [1] Now that's what's called cornering a market.

The Forge of August 26, 1976, called for opposition to Canadian loans to the USSR, as this serves to "reinforce the USSR in the race for world hegemony". The morality of the statement may be sterling, but it will do nothing to expose the superpowers and mobilize a struggle against capitalism. It is not that the RSC underestimates the threat of Soviet social imperialism, or the fact that it represents the main danger of war in the world today. But we cannot take seriously the CCL proclamations that the Soviet Union could "attack Quebec tomorrow". That sort of histrionics makes a mockery of a serious situation and tends to undermine the struggle against the superpowers. To that extent the League has committed a major error, and has demonstrated that they have no clear understanding of the Canadian situation, which means that they cannot have any clear understanding of the world situation. Raising up **sham internal** enemies of the Canadian revolution will complicate rather than solve any problems.

Footnotes

[1] Statistics Canada, IMPORTS BY COMMODITIES, May, 1976