Chapter 2

How did we get here?

Canada is a settler-capitalist society

So far, we have sketched the basic terrain of corporate-capitalist society, noting that this way of life is unjust and ecologically disastrous in its trajectory. How did Canada develop along these lines? As with all big historical questions, the answer is complex. Key to the story is that Canada is a settler-capitalist society. This means that capitalism developed through a long (and continuing) process of colonization in which Indigenous communities that have lived in northern North America for thousands of years were systematically dispossessed and marginalized. As Joyce Green makes clear,

Colonization, initiated by imperialism, forms the foundation of Project Canada. Colonization is not only about physical occupation of someone else’s land but also about the appropriation of others’ political authority, cultural self-determination, economic capacity, and strategic location. That is, colonization is a profoundly exploitative relationship to the benefit of one at the expense of the Other.¹

In this, Canada shares a similar history with the USA, Australia, New Zealand, South Africa and Zimbabwe, although in the latter two cases the European settlers never constituted a majority of the population, and lost political power in recent years. The first colonization of what became eastern Canada was conducted by France, from 1608 to 1756, during which time 10,000 settlers arrived (a very small number compared to the estimated population of Indigenous peoples in the northeast at that time). In 1778 British colonization of what became British Columbia began, although it was not until 1843 that Fort Victoria was established by the Hudson’s Bay Company. Britain and France competed for control of territory in North America in the 18th century, and with the Treaty of 1763 Britain gained control of New France, setting up a double colonization – of both Indigenous nations and of Quebec – which would shape the contours of Canada’s capitalist class. In his 1965 book The Vertical Mosaic, sociologist John Porter examined the consequences of this historical pattern. He reported that economic and political power in Canada was overwhelmingly held by those of British descent A few years later, Sheilagh and Henry Milner wrote that

…an external monopoly, the Anglo-Canadian and American elites, control the Quebec economy. … It re-invests its economic surplus to expand its own enterprises, thereby reinforcing the monopoly structure, for new, smaller companies cannot afford to compete with it. But more importantly, it robs the society of the funds which could be used to produce social necessities such as public housing and adequate medical facilities.²

Recent research indicates that Canada’s corporate elite has become rather more multicultural since the 1950s and 1960s, with Francophone and various ethnic minorities (mainly of European background) joining its ranks. But what has not changed is the exclusion from economic power of Indigenous people, which is a symptom of both ongoing colonization and the desire by many
Indigenous communities to maintain collectivist ways of life that are radically different from corporate capitalism.\textsuperscript{3}

The passage above from Joyce Green points out that at the core of colonization is the appropriation of land, i.e. dispossession. In fact, capitalism was founded on dispossession in two ways. In what became capitalism’s European heartland, peasants were dispossessed from the land by a series of state-mandated “enclosures” from the 15\textsuperscript{th} to the 19\textsuperscript{th} centuries, which eliminated the commons (land possessed and managed in common) and assigned ownership of land to an emergent class of capitalist farmers. The dispossessed peasantry formed the proletariat, who were compelled to work for wages in order to gain access to subsistence, and who eventually became fully integrated into the accumulation process, losing their link to the land. In Canada and other settler-capitalist societies, it was Indigenous peoples who were dispossessed. As Dene scholar Glen Coulthard writes, “these formative acts of violent \textit{dispossession}” set the stage for modern capitalism “by tearing Indigenous societies, peasants, and other small-scale, self-sufficient agricultural producers from the source of their livelihood – the land.” Land-grabbing was foundational to “the violent transformation of noncapitalist forms of life into capitalist ones.” But in contrast to the dispossessed peasants who were reshaped into Europe’s working class (some of whom settled in Canada), Indigenous nations were, as European settlement advanced, displaced onto reserves that comprised a tiny fraction of their earlier land base. They were effectively dispossessed without being proletarianized. This rendered them marginalized and dominated by the Canadian state. The Indian Act (1876), according to Kwakwaka’wakw writer Gord Hill, gave the federal government “complete control over the economic, social, and political affairs of Native communities”, and is still the basis of Indigenous-state relations. \textsuperscript{4}

Although the intent of colonization was always to assimilate “by destroying Aboriginal political systems and social organization, religion and the remnants of once-viable economies,” Indigenous communities proved resilient and resistant. Unlike the former European peasantry and despite the trauma of residential schools (first established in the 1890s and finally closed in 1996), they maintained their deep ties to the land, the basis for an alternative way of life. Today, they press land claims against the Canadian state, and often come into direct conflict with mining, fossil-fuel and other corporations interested in using Indigenous land as tap or sink. Colonization is an ongoing process involving a confluence of state and corporate power, against which Indigenous peoples and their allies continue to struggle. Focusing on the link between colonization and capitalism means highlighting the partnership of corporate capital and the colonizing state, which has been integral to the formation of Canada. \textsuperscript{5}

\textit{Establishing settler capitalism}

We can distinguish three periods of Canadian capitalist development, each with its own confluence of corporate and state power. In the first, from the 17\textsuperscript{th} century to roughly the mid-1800s, European colonists engaged in extensive trade with Indigenous peoples (particularly in fur), and established the premises for settler capitalism. The Hudson’s Bay Company (HBC),
now the oldest corporation in the English-speaking world, was the leading colonizing force in this period. Established in 1670, the HBC served effectively both as a state body (sovereign over the land it controlled) and as one of the first giant corporations in the world. Its royal charter initially granted the Company a monopoly over 40% of what eventually became Canada, in one of the biggest land-grabs in history. According to the HBC Archives, King Charles “believed that the land was his to give because no other Christian monarch had claimed it.” No Indigenous nations, who physically possessed the land, were consulted.6

Within the HBC, power was highly centralized, yet delegated in part to local supervisors. A group of wealthy London-based capitalists owned the company’s shares and elected the governance committee, including the Governor, who was both Chairman of the Board and political authority. The actual work was done by trappers and traders, typically in collaboration with Indigenous communities who often exchanged furs for blankets. As the frontier extended westward the HBC built trails and fortified trading posts. These became the infrastructure for colonial settlement in the 19th century. The HBC’s empire also came to include what is now British Columbia. Victoria, where we live, was established in 1843 as a fortified HBC trading post which displaced the Indigenous Songhees village directly adjacent to it. In 1849 the British Crown granted all of Vancouver Island to the Company, another massive land-grab executed without consultation. Within a very few years of the establishment of Fort Victoria, former HBC supervisor James Dunsmuir, soon to become BC’s richest capitalist, controlled extensive coal mining centred in Nanaimo – a gift of “Cheap Nature” from the Crown.7

By mid-century the HBC’s business strategy, which favoured preservation of the forests that supported fur-bearing animals over the clearing of land and settlement, had become an anachronism. In 1863 a new group of London capitalists with interests in railways, land development and banking took control of HBC with the objective of opening up HBC land for settlement and mining, and building a transcontinental railway to British Columbia. By 1870, in a Deed of Surrender, the HBC ceded its claim to Rupert’s Land and the Northwest Territories, which by then comprised three-quarters of the land mass of contemporary Canada. It did this in exchange for money and substantial tracts of prime land around its trading posts (some of which became major cities like Winnipeg and Edmonton) and in the so-called fertile belt, from the Red River to the Rockies. As historical geographer Frank Tough concludes,

Eventually, the settler replaced the fur trader, but the owners of the HBC realized their interest in the fertile belt. Between 1905 and 1922, the Company's dividend rate ranged from 20 to 50 percent. These large dividends were supported by land sales. Although Native peoples were kept at a subsistence level, the HBC accumulated capital. Between 1891 and 1930 the HBC’s land earnings netted profits of $96,366,021, a far cry from the £2 million invested in 1863.8

Coinciding with Confederation and the creation of Manitoba and BC as provinces, this first massive restructuring of corporate capital, opened the west to full-fledged colonization and capitalist development.
The emergence of corporate capitalism

The second period of Canadian capitalist development was underway, with extensive settlement in Ontario and Quebec, and accelerating displacement of Indigenous peoples. The basic elements of industrial capitalism were quickly developing, including an agricultural surplus to feed urban populations, a proletarian class of mostly immigrant wage-workers in the towns and cities, small-scale manufactories, large-scale transportation infrastructure in the form of canals and the first railways, an integrated home market and a financial system, with the first bank, Bank of Montreal, chartered in 1817. Railways were particularly important, both in knitting places together and in absorbing massive quantities of industrial products such as steel and coal. Similarly to the HBC, railway corporations fused economic and political power – and in particular, the coercive power of the state, which was delegated to them. Historian H.C. Pentland noted that in mid-19th century Canada private railway corporations assumed the right of the state to keep and direct their own police forces. Moreover, when, in response to labour unrest, “the manager of a large private corporation demanded troops, officials learned not to ask whether they were needed, but rushed a force off as soon as possible.”

It was in this period, particularly in the era of the National Policy (beginning in 1879 and continuing well into the early decades of the 20th century) that corporate capitalism was consolidated in Canada. Led by the dominant capitalists and politicians of the late 19th century, the National Policy contained three key provisions: construction of a national railway, immigration and settlement of western Canada, and protective tariffs on manufactured goods. These measures worked in unison to enlarge a “home market” within which capital could accumulate at a rapid pace. The railway and tariffs not only stimulated local industry. They in effect secured the territory of Canada for domestically-based business, creating an east-west transportation corridor while making imported manufactured goods more expensive. Meanwhile, immigration and settlement policy brought fresh labour-power to industry and accentuated the colonizing project. By the close of the century prairie farmers were buying supplies from eastern-based manufacturers and supplying cheap food to eastern cities, lowering the cost of labour-power and thus boosting profits.

Given the resource-richness of the Canadian land mass, the consolidation of capitalism clearly benefited from Jason Moore’s “four cheaps”, which boosted profits by keeping the cost of inputs to production down. Cheap food and cheap labour-power went hand-in-hand, particularly in a context where minimum wages were unheard of and labour unions just beginning to stir. Cheap raw materials and energy came out of land grabbed from Indigenous communities on settler-capitalism’s commodity frontier, and then bestowed by the state upon mining, lumber and railway magnates. These practices transformed the landscape. Canada has recently been identified as the world leader in deforestation, a process that contributes to global warming by reducing the capacity of forests to fix carbon through photosynthesis. But extensive deforestation in Canada goes back to the 19th century, when lumber production became a leading industrial sector. Unhampered by any state-mandated restrictions on allowable cut or logging practices, the industry was forced to expand constantly, clearing new land as its “sustained attack on the forest” lowered the quantity and quality of available timber.
The partnership of nascent corporate capital and the state was a close one, to say the very least. Railways were by far the most capital-intensive mega-projects of the era, and many members of the Dominion Parliament were railway promoters. As muckraking historian Gustavus Myers wrote in 1913, “the public finances have been placed at the disposal of railway promoters in three principal forms. Cash subsidies, comprising outright cash or loans has been one method; land grants, another; and guarantees of bonds a third.” By Myers’s reckoning, the totals amounted to 56 million acres of land, $244 million in cash subventions (mostly outright donations) and $245 million in bond guarantees. Since members of Parliament were mostly capitalists (until 1917 only non-Indigenous men of property could vote or hold office in Canada) it is not surprising that they gave themselves various railway charters and concessions. “The chief beneficiaries often were the foremost members – men who were leaders, or who evolved into leaders of political parties, or who became Cabinet Ministers or Prime Ministers.”12

The most prominent of these business/political leaders was Donald Alexander Smith, a.k.a. Lord Strathcona (1820-1914). A Member of Parliament (1871-1880 and 1887-1896), a Peer in the British House of Lords from 1897 and Canadian High Commissioner to the UK from 1896 until his death, Smith’s career began in 1842 with the HBC, where he administered the fur trade in Labrador. Promoted to manager of the Company’s eastern activities in 1868, he negotiated the HBC’s Deed of Surrender and thereafter became involved in HBC land sales while developing interests in railways. He became a director of the Bank of Montreal in 1872, was made vice-president in 1882 and president in 1887. Smith’s elite positions in Canada’s emerging corporate economy enabled him to accumulate capital in the form of corporate shares, and by 1889, as the principal shareholder in HBC, he was elected its governor. He was appointed a director of the Canadian Pacific Railway (CPR) in 1883 and drove the “last spike” in a ceremony at Craigellachie, BC, on 7 November 1885.

Donald Smith (aka Lord Strathcona)
https://en.wikipedia.org/wiki/Donald_Smith,_1st_Baron_Strathcona_and_Mount_Royal#/media/File:LordStrathcona.jpg
With investments and directorships in a raft of corporations – from Dominion Coal Company and Canadian Salt Company to the Manitoba Free Press and both Montreal Trust and Royal Trust, Smith was the leading corporate capitalist of his time. His career spanned the entire formative era of Canadian corporate capitalism, and in his final decade his business interests reached internationally to Persia (now Iran) and the Indian subcontinent, as he became the first Chairman and the largest individual shareholder in the Anglo-Persian Oil Company – the forerunner to BP – a position he held until his death. Fossil capital was beginning to internationalize and to transition from King Coal to Big Oil. And the leading light of Canada’s bourgeoisie was at the forefront.13

The making of corporate capital: key elements

Donald Smith epitomized the corporate capitalists of the late 19th and early 20th centuries. He came to occupy a central position within the emerging corporate community, directing the county’s largest financial institution, its largest industrial corporation (the CPR) and its largest commercial corporation (the HBC) while also exercising political leadership. Three interrelated developments were at work here, in constituting corporate capital:

1. The concentration and centralization of capital into fewer and larger companies that come to dominate the entire economy;
2. The integration of large-scale industrial and financial capital to form finance capital;
3. With the full development of the corporate form of business organization, the “socialization of capital” within the capitalist class, forming groups of associated capitalists.

Taking these up in turn, concentration and centralization of capital are inevitable results of inter-capitalist competition. Concentration occurs as capitalists, eager to stay a step ahead of competitors, plough their profits back into enlarged production, increasing the mass of wealth they control. Centralization occurs as smaller, weaker businesses are absorbed by the stronger, leaving fewer and fewer, and larger and larger, enterprises. Karl Marx traced both these tendencies in Capital, pointing to the long-range result: a form of capitalism in which free-market competition among many relatively small firms gives way to monopoly capital and monopoly power. True to form, the decades surrounding the turn of the 20th century witnessed the emergence of large manufacturing companies, as many smaller firms amalgamated. By 1907, according to historian Richard De Grass, “Canada was already dominated by a few large corporations.” Between 1908 and 1913, an intense merger movement centralized 229 more industrial firms into the corporations that would dominate the Canadian economy throughout the rest of the century, as J.L. McClelland observed. Banks also merged, as the number of chartered banks fell from 34 in 1907 to 22 in 1914.14

As for the second development, the integration of industrial and financial capital, within capitalism there is a symbiotic relation between the accumulation of industrial capital and expansion of the credit system. As the scale of economic activities grows, a company’s expansion cannot be funded from retained earnings (its savings), but must be financed through credit. At the same time, the main sources of credit, financial institutions, amass vast funds that
must be invested in profitable ventures, if they are to accumulate as capital. The concentration and centralization of capital into a relatively small number of very large companies creates a “community of interest” between the top industrialists in need of financing and the top bankers and financiers in need of investment outlets, as political economist Rudolf Hilferding noted.

A circle of people emerges who, thanks to their own capital resources or to the concentrated power of outside capital which they represent (in the case of bank directors), become members of the boards of directors of numerous corporations. There develops in this way a kind of personal union, on one side among the various corporations themselves, and on the other, between the corporations and the bank; and the common ownership interest which is thus formed among the various companies must necessarily exert a powerful influence upon their policies.\textsuperscript{15}

Hilferding called this “fusion” of the major financial and industrial concerns “finance capital”. As we see in the quoted passage, he held that such integration creates strong interdependencies between big industry and high finance, reflected not only in capital relations (e.g., bank loans to industry, shareholdings in corporations) but in the governance of large corporations. Again, Donald Smith came to personify this capital integration in the early decades of Canadian corporate capitalism, with his extensive investments and directorships in leading corporations. But Smith was simply an illustrious instance of a wider phenomenon throughout what became the advanced capitalist world: the emergence of a financial-industrial elite of the most powerful capitalists, forming the leading edge of the capitalist class. What Hilferding noticed and what Donald Smith exemplified was the tendency in advanced capitalism for the forms of capital (industry, finance, trade) to become functionally interwoven under the sway of a financial-industrial elite whose ownership and/or control of key blocs and pools of financial capital afford them unprecedented economic power.

This brings us to the third development in the making of corporate capitalism: the adoption by leading businesses of the \textit{corporate form}. Before the closing decades of the 19\textsuperscript{th} century, corporations were relatively rare entities, and were typically created by special charters, as was the HBC. Capitalist enterprises were structured as proprietorships (one owner) or partnerships (multiple owners), and they did not issue shares that could be bought and sold. But as the modern credit system developed, new forms of capitalist property and new markets for trading titles to property emerged. Limited-liability corporations, and stock exchanges on which their shares could be traded gained importance in the second half of the 19\textsuperscript{th} century. The Toronto Stock Exchange opened in 1861, followed by Montreal’s in 1874. In the interim the Canadian colonies adopted the newly-minted provision for \textit{limited liability}, under British company law, in 1862. Prior to limited liability each investor was personally liable, without limit, for a company’s debt, meaning that “a person risked financial ruin simply by owning shares in a company.” Advocated with obvious self-interest by business leaders, limited liability immunized investors against claims beyond the amounts they had invested in a company.\textsuperscript{16}

As Marx recognized, the corporate form – the parceling of corporate ownership into many tradeable shares offering limited liability to investors – accelerated the centralization of capital and expanded the scale of production by enabling groups of capitalists to pool their investments
into the “social capital” of directly associated stockholders – such as Donald Smith and his cronies at the HBC, CPR and Bank of Montreal. Finance capitalists like Smith, often operating in collaboration, were able to control enormous quantities of capital, with limited liability and the ability to divest from a company at will. The upshot was a massive increase in speculation and corruption. Marx observed the contradiction in this. As capital became more concentrated and centralized, production became more socialized: undertaken by vast workforces within complex divisions of labour requiring high levels of cooperation and coordination. Capital itself was, within the bourgeoisie, becoming “social”. Firms were no longer the private possessions of individuals but the collaborative projects of associated capitalists, and capitalists could buy and sell corporate shares at will in pursuit of maximum profit. Yet the class divide between capital and labour remained intact (and arguably deepened, with the super-affluence of the emerging corporate elite). Moreover, the emerging corporate form of organization exacerbated capital’s tendency toward centralization.

Since property here exists in the form of stock, its movement and transfer become purely a result of gambling on the stock exchange, where the little fish are swallowed by the sharks and the lambs by the stock-exchange wolves. There is antagonism against the old form in the stock companies, in which social means of production appear as private property; but the conversion to the form of stock still remains ensnared in the trammels of capitalism; hence, instead of overcoming the antithesis between the character of wealth as social and as private wealth, the stock companies merely develop it in a new form.17

By the early 20th century the corporation had become the dominant form of business organization in Canada. It is important to grasp how this form reconfigured, yet reproduced, the capitalist class as a ruling class. The key lies in the governance structure of the corporation. As Roderick Wood points out,

The structure of a corporation consists of shareholders, directors and officers. Corporations are subject to a centralized management structure in that the authority to manage the business is allocated to the directors. Directors are responsible for supervision of the business activities, the appointment of the officers and for broad policy decisions. Corporate officers are delegated responsibility for the day-to-day operations of the business.

Although shareholders, directors and officers (the top executive team) play distinct roles, an individual may act in multiple capacities – witness Donald Smith’s occupation of all three roles at the HBC and Bank of Montreal, in the late 19th century. And although shareholders have no direct control over business decisions, they do elect the board of directors at the annual general meeting.18

The election of directors takes place on the basis of one share, one vote. From a capitalist standpoint, this voting rule makes sense: the more shares one owns the more say one should have in how the corporation functions. But the one share, one vote rule differs radically from the basic principle of democratic decision-making, i.e., one person, one vote. In practice, the same stock-exchange wolves that, in Marx’s vivid imagery, swallow the lambs also hold sway in electing the corporation’s directors. That is to say, a few major shareholders (or a single dominant shareholder) are typically in a position to determine the composition of the board of directors,
where the authority to manage the business resides. This enables major shareholders to effectively control entire corporations through owning strategic blocs of shares. They thereby control the capital of all the smaller investors in the same companies, who are effectively disenfranchised. We will discuss the intricacies of corporate ownership and control at length in the next chapter.

Putting these three elements of corporate capital together, we see that at the turn of the 19th century a combination of capital concentration and centralization, capital integration (the fusion of big industry and finance) and the adoption of the corporate form by major companies brought into being a financial-industrial elite: a small group of finance capitalists in control of Canada’s major businesses. If Donald Smith was iconic, he was not alone, nor was his coterie of Montreal-based capitalists controlling the HBC, CPR, Bank of Montreal and other corporations the only financial group dominating Canada’s corporate landscape. In Toronto the same three processes of concentrationcentralization, capital integration and corporatization produced a financial group that in 1906 included Senator George Cox’s Canada Life Assurance, the Canadian Bank of Commerce, Dominion Iron and Steel and William McKenzie and Donald Mann’s McKenzie Mann and Company (which controlled the forerunner to the Canadian National Railway).19

Nor was Canada at all exceptional. Political economist Ernest Mandel, writing in the 1960s, made the following observation.

The same structure is discovered to exist in the majority of the capitalist countries: an handful of financial groups possessing control over a large proportion of industrial and financial activity; some 60, 125 or 200 families placed at the apex of the social pyramid, who wield their power sometimes as individuals but often as a more or less compact collective group.

By the second decade of the 20th century, as one of us has noted, corporate capitalism had fully arrived in Canada, and with it, a corporate elite “whose interlocking interests and corporate positions effectively fused big industry with high finance.”20

In turn, the coming of age of corporate capitalism enabled Canada’s leading finance capitalists to begin internationalizing their investments. We have already seen this in the case of Donald Smith. Not to be outdone, one of his main rivals in the division of spoils, William McKenzie invested in Brazil, where his Brazilian Traction, Light and Power Company Limited, incorporated in 1912, came to control major hydroelectric and transportation works, through the takeover of various local Brazilian firms. As Libby and Frank Park showed in 1962, Canadian banks established themselves, through subsidiaries, in much of the Caribbean.21

This early internationalization of corporate capital followed the same basic logic as all capitalist investment: the quest for higher rates of profit. In effect, “surplus capital” appropriated in Canada was “exported” elsewhere, to establish or acquire businesses where higher rates of return could be realized. Again, Canada’s big bourgeoisie was not alone, but was typical of other capitalist powers in establishing corporations abroad. Indeed, the internationalization of corporate capital is a fourth key element in its constitution. With it came the phenomenon of
modern imperialism. As political economist Nicolai Bukharin explained in his seminal work, *Imperialism and World Economy*,

> What we have in a "foreign" country are large sums of money, particularly of fixed capital, invested in gigantic constructions: railroads stretching over thousands of miles, very costly electric plants, large plantations, etc., etc. The capitalists of the exporting country are materially interested in "guarding" their wealth. They are therefore ready to go the limit in order that they may retain the freedom of further accumulation. … Capital export is the most convenient method for the economic policy of financial groups; it subjugates new territories with the greatest ease. 22

“Guarding” the investments of northern-based capitalists in the global south, often by resort to military force, has been a basic task for capitalist states – both the imperialist ones in the North and local ones in the South. By the 1920s, as political ecologist Timothy Mitchell points out, “a handful of industrialised states in the global north had brought much of the world under the control of imperial government.” Fast-forward to 2001, and the American invasion of Afghanistan, in which Canadian troops participated. US General James “Mad Dog” Mattis (now Secretary of Defense) declared on November 26 of that year, “the marines have landed and we now own a piece of Afghanistan.” Canadian political economist David McNally has decoded the larger meaning of this statement. “The general’s declaration managed in a single sentence to encapsulate the very spirit of imperialism: the idea that the world’s dominant economic and military powers can claim ownership and control of a part of the world by virtue of military force.” 23

Canadian corporate power thus came of age on the basis of three sources of wealth. From the early 20th century on, the leading lights of Canada’s capitalist class engaged in a dual process of expansion: colonization within Canada’s borders (dispossessing Indigenous peoples through expansion westward and northward) and imperialism abroad (through the international investments of Canadian multinationals, particularly in the western hemisphere). Alongside this geographical expansion, capital accumulated through exploitation of the urban proletariat that was congregating in the cities and towns of the eastern and central settled regions. All three of these engines of accumulation and corporate power continue to have traction in the contemporary scene.

*Consolidating corporate power in the era of organized capitalism*

This brings us to the third era in the development of corporate power. By the 1920s, as Rudolph Hilferding argued, a distinct form of organized capitalism had emerged in what we now call the global North. The new stage “was marked by concentration and bureaucratization in production, the organization of both labor and employers into interest groups, and an activist state role in economic decisions.” 24

Advanced capitalist societies, including Canada, were increasingly structured around large bureaucratic organizations – corporations and state bodies. In Canada, trade unions, the principal organizations through which workers resist their subjection to capital, increased their sway
particularly in the 1930s, as industrial workers in large corporations became organized. Corporate capitalists also organized themselves into industry groups, the most prominent and politically influential being the Canadian Manufacturers’ Association (incorporated in 1902) and the Canadian Bankers Association (founded in 1894). These industry groups established close ties to government; indeed, the first Bank Act (1871) was essentially drafted by the Bank of Montreal, and in the early years of Confederation the Canadian Bankers Association effectively chose the federal Minister of Finance. As corporate power became organized more bureaucratically, it began to reach in a systematic way into the political field.25

Meanwhile, federal and provincial governments began to intervene more extensively in attempts to manage the capitalist economy, through policies such as unemployment insurance (brought in during the Great Depression of the 1930s) and by creating crown corporations. The state had heavily subsidized the CPR and other capitalist-controlled railways, several of which were bankrupt by 1918, when the federal government amalgamated them into the publicly-owned Canadian National Railway (CNR). By 1923, as a measure of the weight of railway investment in Canadian capitalism, 60 percent of the total assets of the hundred largest non-financial companies, and almost 40 percent of all nonfinancial capital, was claimed by two corporations: the CNR and CPR. State-owned telephone and electrical utilities such as SaskTel (1908) and Ontario Hydro (1906) were established beginning in the 20th century’s first decade. In the 1930s the Canadian Broadcasting Corporation (est’d 1932) and Air Canada (est’d 1937) were spun off from the CNR, and in 1938 the Bank of Canada became a federal crown corporation. These state owned corporations came to comprise a significant piece of Canada’s developing corporate economy, well into the late 20th century.26

To these structural aspects of organized capitalism we must add the increasingly organized character of the corporate elite. This is evident in the growth of an elite network of interlocking directorates among Canada’s leading corporations, in the first few decades of the 20th century. We noted earlier that a corporation’s board of directors is responsible for major strategic decisions, and that by the early 20th century, major finance capitalists like Donald Smith and Alexander McKenzie had taken up multiple directorships in the corporations they controlled. Their multiple corporate affiliations, and those of other major corporate capitalists, created a dense network of interlocking boards, and the basis for an elite corporate community. In Chapter 5 we map the contemporary Canadian corporate network as an important centre of power. Here it is sufficient to note that the era of organized capitalism brought a massive expansion and integration of the network.

Gilles Piedalue’s study of the Canadian corporate network from 1900 to 1930 showed that already in 1900 80 percent of the country’s largest companies shared at least one director with another large company, and that by 1930 this had increased to 91 percent. On average, these interlocked corporations were directly linked to eight companies in 1900 and to fifteen by 1930. Over the three decades the percentage of Canadian (as opposed to foreign) directors rose from 73 to 81, indicating a consolidation of corporate power among Canada’s leading capitalists. The strongest ties in the network – those carried by three or more interlocked directors – tended to be
focused on the country’s three major banks (Bank of Montreal, Bank of Commerce, Royal Bank) which Piedalue saw as the centres of integrated financial groups.27

Corporate capital in Canada emerged from the turbulence of the Great Depression and World War Two on a relatively strong footing, having benefited from a high rate of state-facilitated accumulation during the war, without suffering the devastation experienced in Europe and Japan. This was reflected in the structure of the corporate elite. By 1946 the country’s first major financial group – the legacy of Donald Smith – continued to be at the centre of the corporate power structure, but the group had grown substantially. Joining the CPR, HBC and Bank of Montreal in the dominant, Montreal-based financial group of 20 heavily interlocked companies were the Royal Bank of Canada, Sun Life and the Steel Company of Canada (Stelco). The CPR alone accounted for more than a fifth of the combined assets of the country’s 70 largest private-sector firms.28

However, the much larger American state and economy emerged from Depression and War even stronger. Indeed, the period from 1945 to the early 1970s was a time of unrivaled American political and economic dominance within global capitalism. In the initial post-war years, with Europe and Japan in ruins and their political futures unclear, US-based capitalists, controlling the world’s largest transnational corporations (TNCs) and banks, accumulated enormous surpluses of capital, much of which was invested, through their subsidiaries, in Canada’s high-growth economy. Canada was a prime destination for US-based corporate capital because of its political stability, its proximity and the “Cheap Nature” that its unparalleled resource richness provided. This quickly elevated the level of American control over capital in Canada. By the mid-1960s concern was growing about Canadian business’s “silent surrender” to US-based TNCs, as political economist Kari Levitt famously wrote.29

In the 1970s a distinctive interpretation of corporate power in Canada gained influence, as numerous scholars argued that Canada’s capitalist class had followed an exceptional course. Daniel Drache, R.T. Naylor, Wallace Clement and others suggested that, in contrast to the normal capitalist trajectory, Canada’s corporate elite was dominated by a group of bankers and merchants who aligned themselves not with local industry but with foreign and particularly American transnationals. Although the evidence we have presented so far runs against this thesis, the key issue was whether, in the post-war era, corporate power became reorganized around an alliance of Canadian bankers/merchants and foreign-based industry, presiding over a cumulative process of silent surrender and underdevelopment. Or, had Canada’s corporate elite continued as in other advanced capitalist societies – its dominant fraction controlling finance capital and showing the capacity to accumulate globally?30

The weight of evidence amassed in the 1980s and more recently strongly supports the latter interpretation. Research has shown that:

1. Although American direct investment poured into Canada after World War Two, its expansion ebbed in the 1970s as American global hegemony weakened and as Canadian-based capitalists strengthened their control of the home market. The “silent surrender” that Kari Levitt projected as a cumulative process turned out to be confined to an era in
which Canada’s capitalists did not “surrender” but pursued opportunities within a US-centred global regime that dominated Europe and Japan as much as Canada.

2. Throughout the 1940s-1980s the boards of leading industrial corporations and financial institutions controlled by Canadian capitalists remained tightly interlocked, forming a national corporate community and a dominant fraction of finance capital, centred in Toronto and Montréal.

3. Foreign controlled companies did not participate extensively in the network of corporate interlocks. Earlier notions of a “compradorization” process based in an alliance of Canada’s commercial bourgeoisie and US TNCs (as in Clement’s work) were overstated.

4. Canadian capitalists, through their own transnational corporations, quickened their investments abroad, showing a capacity not only to grow within their home market and to export goods into other national economies, but to “export capital” to the most promising locales on a transnational basis.\textsuperscript{31}

In short, the middle to later decades of the 20\textsuperscript{th} century marked a continuation and consolidation of “organized capitalism,” similar to other countries of the global North. Changes also occurred in the structure of corporate power. From the mid-1940s to the 1970s and 1980s the dominant, Montreal-based financial group persisted, yet several new groups emerged, which were predominantly centred in Toronto. The various groups came to include a greater swath of large corporations, with the big banks linking across groups. The elite network thus became “increasingly integrated yet differentiated.” In short, Canada’s capitalist class consolidated its control of large corporations and banks and internationalized its reach through foreign investment, even as corporate giants from the US and other countries also reached into Canada through their own foreign subsidiaries.\textsuperscript{32}

\textit{From class compromise to neoliberal globalization}

In Chapter 1, we wrote of the “free market,” a concept at the centre of the liberal ideology that legitimizes capitalism as a way of life. As we have seen in this chapter, even a century ago Canadian capitalism could not be reasonably described as organized around free markets. Large corporations already dominated the scene at the close of the 19\textsuperscript{th} century! The organized capitalism that developed through the 20\textsuperscript{th} century concentrated economic power in the hands of a highly cohesive financial-industrial elite. The concentration of capital within a relative few giant corporations, many controlled by capitalists in Canada, others by capitalists elsewhere, put in place the basic institutional power structures that prevail to this day.

However, the organized capitalism of the post-war economic boom (mid 1940s through mid-1970s) also contributed to labour’s growing strength, which became enshrined in a new form of human rights: the right of workers to join unions and bargain collectively with employers (first recognized in Canada in 1944). As workers joined unions and as low unemployment rates improved labour’s bargaining power, real wages rose. Within the logic of organized capitalism, David Wolfe and others have pointed out, the state came to mediate a \textit{class compromise}. The struggle between labour and capital was institutionalized within a framework of industrial
relations which, for three decades, created a “positive sum game” in which both parties could benefit.

This policy framework is known as Keynesian in honour of John Maynard Keynes, the British economist who developed it during the Great Depression. Keynes argued that to avoid crisis and stagnation due to underconsumption, state managers needed to keep overall demand in the national economy buoyant. To accomplish this, policies of income redistribution through progressive taxation, generous social programs and “full employment” (keeping unemployment rates low) were implemented, adding up to the so-called Keynesian welfare state (KWS). For corporate capital, the KWS meant higher taxes and greater regulation, yet it held important advantages. It bought labour peace by giving workers a stake in the system. And, by keeping overall demand buoyant, it supported the development of consumer capitalism as a way of life. The scourge of underconsumption – one cause of crisis – seemed beaten. In turn, mass consumption was fed by mass production, all within a state-managed national economy. This “regime of accumulation” has been called *fordism*, after the first major corporate capitalist to adopt assembly-line production, Henry Ford. In Canada, widespread adoption after World War Two of assembly-line production and other productivity-enhancing innovations created a rapidly growing economic pie to be divided between capital and labour – keeping profits high and allowing wages to grow.

Yet by the mid-1970s, this paradigm was fraying, as productivity gains weakened and corporate profits declined in the face of continuing pressure for higher wages and salaries. Large corporations, dominating markets, were able to pass cost increases onto consumers, but the result (as workers pushed for higher wages to compensate for higher prices) was hyperinflation – a fall in the actual value of money (i.e., what it can buy). By the late 1970s and early 1980s Canadian capitalism (along with its counterparts in the global North) was facing a new scourge: “stagflation” – the combination of inflation due to rising wages and prices and stagnation due to lower profits. For the state, stagflation meant lower revenues from taxation yet higher costs due to both inflation and increased need, in a stagnant economy, for social assistance. And that combination meant government budget deficits and rising debt.

It was in this context that the corporate elite in Canada and elsewhere mobilized politically around a project of *neoliberal globalization*. Corporate capital pressed successfully in the 1980s for a new policy framework that would restore profitability by weakening the power of unions, curtailing social programs, reducing taxes (especially on businesses and the wealthy) and facilitating the further growth of international business. In Canada, the centrepiece of neoliberal policy has been “free trade”, initially with the USA (1988), then extended to Mexico (1994) and more recently to the European Union. The neoliberal regime deregulated markets, reduced social provisioning, and thus redistributed wealth and income upward, based on a framework of continental, and increasingly transnational, accumulation.

As corporate capital became more transnational the logic of organized capitalism, which had come to feature an active role for the state in managing the economy, gave way to a new logic, based on increasingly porous boundaries and internationally mobile capital. Instead of striving to promote its *capitalists* within a buoyant home market, in “disorganized capitalism” the state’s
role in accumulation is focused around promoting its *territory* as an attractive site for investment that might otherwise locate elsewhere. This means keeping wage costs, taxes and other deductions from potential profit low.\textsuperscript{36}

Economist Jordan Brennan has charted some key trends in the shift from the organized capitalism of the post-war class compromise to the “disorganized capitalism” and neoliberal globalization of recent decades. During the post-war class compromise, the early-20\textsuperscript{th} century pattern of extremely concentrated corporate capital was eroded, only to be re-established in the late twentieth century. In 1961, the 60 largest corporations listed on the Toronto Stock Exchange (the TSX 60), claimed 35 per cent of aggregated net corporate profits of all firms in Canada. This already amounted to an enormous concentration of capital. But the figure grew to an astonishing 60 per cent by 2010, indicating that most of the surplus produced by Canadian workers was captured as the profit of just 60 corporations. This increase occurred with the turn to neoliberalism and the signing of continental “free trade” deals in 1989 and 1994, despite the fact that the total number of firms had grown from 153,000 in 1965 to more than 1.3 million in 2009. By 2010 *most of the profits of 1.3 million companies were claimed by just 60 giant corporations.* The market value of these same giant corporations now accounted for most of the value of all 2,100 companies whose shares are listed on the Toronto Stock Exchange. “Total market capitalization” is the value of all shares of all firms listed on the stock exchange. As the accompanying chart shows, in 1956 the top 60 corporations accounted for 29 percent of the total market capitalization of the Toronto Stock Exchange. By 2010 they claimed 60 percent, confirming that a few dozen giant corporations now “dominate the Canadian political economy, driving the accumulation process.”\textsuperscript{37}
David Macdonald of the Canadian Centre for Policy Alternatives has shown that the same pattern of concentrated ownership applies to people. In 2012, the wealthiest 86 Canadian residents, representing just 0.0002 per cent of the population, owned wealth equivalent to the poorest 34 per cent of the population (11.4 million people). Much of the wealth of these select few consists in concentrated corporate shareholdings, placing many of them in a position to control or influence decision-making in leading Canadian corporations. 38

Even more remarkable is the close relationship, since the 1950s, between the concentration of corporate capital and the extent of income inequality. The accompanying chart shows that between 1950 and 2007, the average profit of the TSX 60 grew from representing 234 times the average profit for all firms in Canada, to 14,278 times the average profit. This indicates ever-increasing capital concentration through high rates of accumulation by giant firms that, as we have seen, claim most of the total surplus value. The share of total income going to the top 0.1 per cent of income earners declined in the era of the KWS, from three percent to below two percent in the early 1980s. But as neoliberal globalization gained traction the Top 0.1 percent’s share increased dramatically, reaching five percent in the mid-2000s. Especially since the early
1990s, the concentration of corporate capital has closely tracked the concentration of income in an elite few, producing an “unprecedented concentration of both income and corporate power” (Brennan 2012: 40). Jordan Brennan draws an additional conclusion, noting that dominant corporations are, unlike smaller firms, in a position to shape and even “make” prices, which is partly why they capture so much surplus value:

These large firms effectively exist, then, in a separate political economy than the majority of small- and medium-sized firms who are price-takers and are relatively powerless. Large firms are price-shapers and price-makers. They have a visible hand in shaping not only the industrial process, but the distribution of income, and therefore the growth or reduction of income inequality as well.39

As a final charting of trends since the early post-war years, consider the close relationship Brennan demonstrates between corporate concentration and the increasing internationalization of capital. He notes that the vast majority of global foreign direct investment (i.e., major cross-border investment in corporations) involves takeovers of existing firms, that is, the transnational centralization of capital. Plotting the total amount of foreign direct investment coming into and
going out of Canada, as a proportion of Canadian GDP gives a sense of how internationalized Canadian capitalism is becoming. This statistic expresses how much investment capital is flowing into and out of Canada, relative to the size of the Canadian economy. In the accompanying chart we see that until the 1990s the extent of internationalization kept pace with growth of the Canadian economy, hovering between two and three percent of GDP. But with the shift into continental and transnational “free trade” internationalization dramatically outpaced the growth of GDP. By the first decade of the 20th century it reached eight percent and more. Comparing this trend to the trend toward concentration of corporate share equity within the TSX 60, Brennan found a tight, positive correlation over six decades. In the era of neoliberal globalization, increased internationalization of capital and increasing concentration of capital in the largest corporations have gone hand in hand. This is not a surprise. Recalling that most foreign direct investment involves takeovers of existing firms, these trends depict a close relationship between the concentration of capital within the largest firms and the international centralization of capital, a process in which the stock-exchange wolves swallow the lambs. The result as of the second decade of the 21st century, was a more internationalized economy in which corporate power had become concentrated in a few dozen companies.
Across the same decades, there was also a geographical concentration of corporate head offices in a few metropolitan command centres. In 1946 Montreal and Toronto were the only cities that really mattered for the corporate elite (and particularly for the financial sector). Of the top 103 corporations, 33 were headquartered in Montreal and 31 were in Toronto. However, many industrial corporations had head offices and physical plants scattered outside the Toronto–Montreal axis, for instance, in Northern Ontario (six firms), in Atlantic Canada (five) and in Winnipeg (four). Only one corporation was based in Calgary, while Vancouver was home to four. Half a century later, the spatial organization of corporate power had been simplified into a bipolar configuration. Of the top 103 corporations, Toronto hosted 38, Montreal 23 and two lesser centres in the West—Calgary and Vancouver—claimed 17 and 12 respectively. Outlying areas were rarely involved, and Toronto had decisively eclipsed Montreal as the country’s corporate metropolis. This shift meant the further centralization of capital in large, multi-divisional corporations. Local management was subordinated to extra-local corporate strategies issuing from head offices in these few major cities. Geographical centralization created a sharper distinction between, on the one hand, four big cities that serve as command centres for corporate capital and, on the other, the rest of the country, overlaid upon deepening inequities in wealth and income.41

These developments also meant the ascent of the far west as a locus for corporate power. In 1946 the ratio of corporations based in the far west to those based in Montreal-Toronto was .078. By the close of the 20th century it was .475. The geographical concentration of corporate power became simplified around four metropolitan centres in two quite distinct regions, which together housed 90 per cent of major corporations. Amid all these shifts the one constant was the location of major financial institutions in the Montreal-Toronto area (with some internal shifting from the former to the latter). The rise of the west as a locale for the command of corporate capital was an industrial phenomenon (and, for Calgary, based almost entirely in the oil and gas sector). It did not disturb or displace the eastern-based financial sector.42

In the next four chapters we explore the anatomy of Canadian corporate capital in the 21st century, and the modalities through which its power is exercised economically, politically, and culturally.

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7 Ibid.
10 Paul Craven and Tom Traves, 1979, “The class politics of the National Policy, 1872-1933,” Journal of Canadian Studies
12 Myers, A History of Canadian Wealth, p. 150, 151, 155.
16 Joel Bakan, The Corporation, p. 11.
28 Carroll, Corporate Power and Canadian Capitalism, pp. 66, 144.


32 Carroll, Corporate Power and Canadian Capitalism, p. 156.
42 Ibid., p. 96.