

**The Economic Elite in Canada:
An Analysis of Business Unity and Corporate Political Action**

By

Jamie Brownlee

A Thesis Submitted to the Department of Sociology
in Partial Fulfilment of the Requirements for the Degree of

MASTER OF ARTS

Department of Sociology
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Abstract

In the social sciences, the extent to which elites constitute a unified group is the substance of a long-standing debate. The controversy centres on whether or not elites – particularly the owners and managers of business firms – can achieve unity and solidarity around key issues of public policy and promote a common agenda. There are two main positions on the issue: instrumental Marxists and critical elite theorists posit the existence of business unity, while structural Marxists and pluralists emphasize the conflicts and divergent interests within the economic elite. The purpose of this study was to explore the parameters of this debate, focusing specifically on the situation in Canada. The evidence presented throughout strongly supports the position that the Canadian economic elite is extraordinarily cohesive and unified, and thus lends credence to the positions advanced by instrumental Marxist and critical elite theorists. This unity is made possible by a powerful array of unifying mechanisms and webs of interconnected associations available to the business community. Many of these are reviewed, with a focus on interlocking directorates, the structure of corporate ownership/control networks, the mass media, ‘intersectoral’ policy organizations, think-tanks, and business-oriented foundations. Furthermore, it is demonstrated that a group of highly class conscious, ‘inner circle’ business leaders assume the primary role in forging an elite consensus within these forums and networks, and therefore largely determine the nature and conditions of elite dominance. At the close of the study, the ties between Canada’s business community and elites in other spheres of power are briefly elaborated upon, as is the potential for elite unity at the global level. In sum, the argument advanced here is that the degree of elite cohesion seriously impacts the organization of social and political life. When unified, the

corporate world controls the substance of state policy and exercises an incredible degree of political influence, thereby limiting the prospects for ordinary citizens to meaningfully participate in the political process. Nevertheless, it is emphasized that these relations are not inevitable and could be modified through networks of concerned citizens coming together to challenge the current political and economic order.

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Introduction

In the social sciences, the extent to which elites constitute a unified group is the substance of a long-standing debate. Indeed, it has come to represent a central issue in academic discussions about business power and the opportunities for a properly functioning democracy. This controversy centres on whether or not elites – particularly the owners and managers of business firms – can achieve unity and solidarity around key issues of public policy and promote a common agenda. It makes a great deal of theoretical and practical difference if the economic elite is, in fact, internally cohesive and integrated. When unified, the vast resources of the corporate world are typically able to overwhelm the resources of all other social groups. Under these conditions, the prospects for ordinary citizens to meaningfully participate in the political arena or to influence state policy become increasingly remote. Thus, the mechanisms of social cohesion available to the business community have profound implications for the exercise of political power. As Mark Mizruchi (1992: 46) points out, “[t]o the extent that cohesion plays an important role in the generation of corporate power, it is a result of its effect on the similarity of corporate political behaviour.” This power is particularly robust when “the political unity of corporations stems from class-based modes of association as opposed to a mere coincidence of interests and events” (Dreiling, 2000: 42-43).

The key combatants in the unity debate represent significant groups of theoretical thought. Pluralists, such as Robert Dahl (1958, 1961) and Arnold Rose (1967), have argued that different segments of the business community do not form a cohesive whole and routinely oppose one another on political issues. Furthermore, they contend that the sources of elite unity identified by most theorists are ineffective. For pluralists, business

power is diffuse and merely represents one of society's many competing interest groups which are thought to be roughly equal in power and influence. Structural Marxists – most notably the work of Nicos Poulantzas (1969, 1975a) – offer a strangely similar proposition to the pluralist notion of business conflict. They argue that particular corporations or fractions of capital are far too concerned with their own particular goals and interests to come together as a united force. Moreover, they note that the parochial concerns of individual firms or business sectors receive greater expression in the political process than the collective interests of business, mainly because business leaders are unable to resolve inter-corporate disputes and inherently incapable of advancing the long-term interests of the class as a whole. According to structural Marxists, only the state can resolve such conflict and uphold the capitalist economic system.

In contrast to pluralism and structuralism, power elite theorists such as C. Wright Mills (1956) and Thomas Dye (1995) and instrumental Marxists such as Ralph Miliband (1969, 1977) and G. William Domhoff (1978, 1998) posit the existence of cohesion among private corporations and their elite members. These theorists see business executives as a socially cohesive and politically unified group. According to Mark Smith (2000: 15), all of the scholars who argue for the existence of elite unity agree that business consensus is not 'natural,' but arises through a variety of mechanisms and processes which integrate the myriad business views into a coherent whole. Consequently, this unified elite – armed with an impressive and varied arsenal of weapons and resources – is able to consciously and purposefully manipulate the state. Here, the

state's class bias is seen as being produced by a well-organized and strategically-orientated business community.¹

In 1984, Michael Useem added an important dimension to the elite unity debate. Useem argues that corporate cohesion is made possible by a specific group of business leaders; he calls this group the 'inner circle.' The so-called inner circle is comprised of those leaders who have the ability and the necessary 'class-wide rationality' to resolve intercorporate conflict. Inner circle members work to identify and successfully advance policies which promote the overall interests of the elite. In Useem's (1984: 3) words, "a politicized leading edge of the leadership of a number of major corporations has come to play a major role in defining and promoting the shared needs of large corporations ... this politically active group of directors and top managers gives coherence and direction to the politics of business." Specifically, the inner circle facilitates unity by virtue of a host of '*unifying mechanisms*' – such as interlocking directorates and policy-planning organizations – that enable business to function as a solid political bloc.

The political unity of the economic elite continues to represent a critical arena for political and sociological inquiry. An informed understanding of how the business community is organized is essential if we are to understand how economic hegemony is translated into political domination. Miliband (1969: 163) correctly emphasizes that "‘hegemony’ is not simply something which happens, as a mere superstructural derivative of economic and social predominance. It is, in very large part, the result of a permanent and pervasive *effort*, conducted through a multitude of agencies" (original

¹ The disagreements between 'unity' and 'disunity' theorists constitute an important part of what has been termed the 'Miliband-Poulantzas' debate, which accelerated in the 1970's and represented a more general set of divisions in Marxist theory between instrumentalism and structuralism.

emphasis). This may be especially true in Canada because, as Thomas d'Aquino, head of the Business Council on National Issues, tells us, "[n]o business community in the world at the CEO level has taken such an active interest in politics" (cited in Newman, 1998: 159-160).

This analysis will attempt to lend support to the positions advanced by elite theorists and instrumental Marxists, and offer a strong rejection of the assumption of elite disunity. Specifically, it will be argued here that Canada's economic elite is extraordinarily unified, and that this is made possible by a powerful array of unifying mechanisms and webs of interconnected associations. Further, much of the active effort in forging an elite consensus is performed by a group of highly class conscious, inner circle business leaders, whose skills and political awareness enable them to resolve intercorporate disputes. In turn, the development of business unity affords the elite effective control over much of state policy and an overwhelming degree of political dominance. Put another way, we will seek to debunk the popular myth that Canada's economy is comprised of a collection of competing, struggling corporations, riddled by internal conflicts and political impotency. Such a myth helps to mask the overriding factors which bring those at the top together to collectively dominate the national agenda and to command the direction of economic life.

In Part One of this study, the competing theoretical perspectives in the unity debate will be elaborated on, especially the points of contention between structural and instrumental Marxists. In addition, Michael Useem's concept of the inner circle will be explored in greater detail. At the end of this section, we will look at an example of 'elite

unity in action'; namely, the well-recognized corporate offensive that began in the early 1970's.

The second part of the study deals with two of the features of capitalist economic organization which draw the elite together, helping it to overcome or resolve conflict. The section begins with an analysis of the network of interlocking directorates in chapter two. These valuable mechanisms of class coordination serve to integrate the corporate network and help to establish a broad, class-based outlook among many of its most influential members. Following this discussion, an examination of concentrated economic ownership is provided in chapter three. Generally, the argument advanced here is that increasing levels of concentration have led to fewer competing interests in the domestic market which, in turn, has resulted in greater economic cooperation and intertwined the fortunes of powerful elite elements. Included in this chapter are sections pertaining to corporate mergers and acquisitions, diversification patterns, and intercorporate ownership; all of which facilitate the likelihood of class-wide organization. Part Two concludes with an analysis of Canada's mass media. In chapter four, the media is presented as an important example of concentrated ownership and one that plays a special and particularly vital purpose for the economic elite.

In Part Three, our attention will turn to three important – and often overlooked – 'external' sources of unification: policy organizations, 'think-tanks,' and business-orientated foundations. Together, they comprise what Domhoff (1998) has referred to as a 'policy formation network.' The first two (policy organizations and think-tanks) are especially important because they provide a setting for members of the elite to establish a common policy outlook and a set of strategic initiatives which help to put this policy

consensus into action. Foundations provide a key source of funding for think-tanks and enable the elite to direct enormous sums of money toward political goals. The primary reason why these organizations are so important to the elite stems from the fact that the sources of cohesion presented in part two are insufficient to produce policy consensus. Agreement on these matters requires considerable research, deliberation and consultation in order to form a coherent sense of long-term interests, and to transform political problems into manageable objects of public policy. In sum, policy groups, think-tanks foundations are all individually important for the elite. But it is important to remember that all three are heavily interlocked with each other and with the corporate community in terms of both common directors and funding. The network as a whole integrates the elite and shapes policy issues, with different groups playing different roles depending on the task at hand. According to Carroll (2001: 203), these roles range from “the Conference Board’s ‘pure think-tank’ emphasis through the BCNI’s consensus-formation project to the Fraser’s Institute’s tenacious advocacy.”

The purpose in Part Four of this work is to explicate those mechanisms that tie members of Canada’s economic elite to the state and political elite. These ties are meaningful as they play a key role in establishing a common policy perspective within the state elite, as well as between the state, capital, and political parties. This is in addition to the power and leverage they provide the economic elite throughout the policy making process. Indeed, the relationships between elites are the substance of politics, especially the connections between corporate Canada and high politicians. Chapter eight focuses on the interpersonal ties and overlapping personnel between capital and the state, the social class backgrounds of elites within the state, political, and corporate systems, as

well as the connections between Canada's major political parties and their corporate benefactors. In a sense, all of the ties between these different elite groups are unifying mechanisms in their own right. There must be some degree of continuity and cohesion *between* the major systems of power in order for a united business class to effectively assert its dominance.

Finally, in the concluding section, the discussion turns to elite networks at the international level. We will address the proposition that as globalization progresses, the coherence and structural integration of national corporate networks are eroding. Also in the concluding section, we pose the question of whether or not a distinguishable global economic elite or 'transnational capitalist class' (TCC) has risen in conjunction with the globalization of finance and industry, and explore the mechanisms available to this group to facilitate their unity.

To be clear, this analysis should not be seen as a dismissal of structural power. Even if these unifying networks were weak or absent, public policy would still be significantly constrained by the economic structure in which it operates, and this is especially true today. In recent decades, the enhanced capacity of business to engage in capital flight has become an extremely important structural weapon, and it is just one of the ways that the power of capital has expanded in relation to nation states and organized labour. Yet, despite these powerful pathways to structural dominance, the economic elite still must struggle for its *political* dominance. The nature of this struggle depends crucially on its capacity for solidarity and unified action.

If Canada's economic elite is the cohesive political force suggested in this work, the implication is that any challenge to such power would not be an easy one. However,

social policy is not engraved in 'structuralist stone'; rather, it is largely the product of organized and conscious effort on the part of Canada's business leaders and their state representatives. This suggests that there is nothing remotely inevitable about the kinds of policies enacted in Canada today, and that a potential exists for collective social action to significantly modify the situation so that public policy falls more in line with the public interest. Although corporate leaders consistently tell us that the interests of business and the interests of average Canadians run parallel, there is every reason to question this rhetoric.

The overall purpose of this study, then, is not only to illuminate some of the critical aspects of power relations in Canadian society but also to emphasize that these relations are not inevitable and could be modified through networks of activism. An essential pre-requisite to opposing corporate rule is to understand how the elite is able to dominate economic, social, and political life. Systematic research on the social organization of capital is essential in this regard. Today, these issues could not be more important given the intensive corporate efforts to undermine the significant gains that have been won through decades of popular struggle, in the West and elsewhere. The efforts of citizens to promote progressive social change in Canada must be done with the realization that the odds are not in our favour. This is made clear by Tom d'Aquino,

If you ask yourself, in which period since 1900 has Canada's business community had the most influence on public policy, I would say it was in the last 20 years. Look at what we stand for and look at what all the governments, all the major parties...have done, and what they want to do. They have adopted the agendas we've been fighting for in the past few decades. (as cited in Newman, 1998: 151)

Only a highly organized business community, effectively unified around key public policy issues, could have achieved anything like what d'Aquino describes. The

Canadian economic elite is indeed in a position of unprecedented power and effectiveness. But, to reiterate, this does not mean that the current situation is inevitable. If people become aware of the present reality, construct alternatives, and implement the necessary mechanisms to realize those alternatives, corporate rule could be seriously challenged in the years ahead. Societies' energies may then be devoted to genuine and urgent human needs, ones which remain largely unmet because of the self-serving prerogatives of those in positions of elite power.

The Economic Elite in Sociology

In Canada today, there exists an 'economic elite' that controls the country's major industrial, financial, and commercial companies and utilities. The elite consists of two major groupings: The capitalist class or large shareholders in major corporations and the high executives of business management. The inclusion of these two groups into one category – the economic elite – has led to a great deal of criticism and debate. Two of the most prominent players, C. Wright Mills and Ralph Miliband, argue that these different groups should not form separate categories. They are united by their interest in the ownership of big business. Both theorists stress the fact that professional managers and executives are often among the largest shareholders, regularly buying shares through preferential purchasing schemes. Even those top executives who do not become major shareholders are still easily assimilated by the capitalist class and have the same goals, motivations, and commitments.

Other scholars have criticized the alleged unity of these two groups, arguing that a clear distinction must be made between the capitalist class and their upper management. G. William Domhoff agrees with Mills and Miliband that upper-level managers identify

with the big shareholders because they buy shares themselves in the companies they administer and seek the maximization of profits to the same extent. But Domhoff does make a clear distinction between the two. Some owners, he says, are completely detached from the control of companies while others are very actively involved (with the help of high-level managers). For Domhoff, actively involved owners and high level employees in corporations and the policy network form a 'power elite' that serves as the 'operating arm' of the capitalist class as a whole. This distinction relates to Antonio Gramsci's concept of the 'organic intellectuals of the propertied class.' Gramsci did not view capitalists and their organic intellectuals as mutually exclusive categories, rather he recognized a considerable convergence of the two groups. Referring to Domhoff and Gramsci, Jorge Niosi (1982: 126) notes that, "[b]oth authors conceive of one group of organic intellectuals (or of a power elite) issuing from the ruling class itself, while another group is attracted and partially assimilated by the ruling class after specialized training."

Niosi (1982: 132-133) disagrees more sharply with Mills and Miliband (and, to some extent, Domhoff and Gramsci) He argues that upper-level managers and advisors often hold few shares and are *not* typically assimilated into the world of major shareholders. Niosi insists that a clear distinction be made between these two groups; the term 'economic elite' tends to blur this distinction, leading to theoretical and empirical errors. According to Niosi, the power of managers and advisors is derived from that of the capitalist class; they were hired and can be fired, holding on to their positions only during satisfactory conduct.

With these somewhat contrary perspectives in mind, the term economic elite will be used here to refer to the capitalist class or large shareholders *and* their upper-level managers and advisors (those ‘organic intellectuals’ who may own little capital). The latter group does possess and exercise power to a large extent – power that is derived from ownership but also rooted in organizational position. The inclusion of these two groups into the economic elite is partially due to the lack of a clear and obvious distribution of power. Does a CEO with few shares, for example, have less, the same, or more power as an owner that is not involved in the control of his or her company? In any case, as John Porter (1965: 242) has shown, “the relationship between investors, directors, and managers in the structure of power is a very close one.” Each relates to the corporation and derives its power from that relationship.² Thus, while the potential limitations of ‘economic elite’ as a conceptual category are recognized, the term will be utilized in this study.

² Orthodox Marxists would reject outright the inclusion of high-level managers and advisors who do not own the means of production into the category of economic elite. Orthodox structuralist Marxists would go further and argue that even a focus upon the capitalist class warrants theoretical concern because it is the structure of capitalism that is ‘all-determining.’ In other words, it is the positions that have power, not individuals who are replaceable.

PART I

Theoretical Foundations: The Elite Unity Debate

Chapter One: Elite Unity, Class Consciousness, and Political Action

Elite Unity and its Discontents

As discussed in the introduction, Structural Marxists are skeptical of the possibilities for unity within the business elite. Poulantzas (1969, 1975a, 1975b) argued that the capitalist class should not be considered a homogeneous ruling class, with an unambiguous class-wide interest; rather, business leaders are a highly fractionalized group with divergent interests at both the economic and political levels. In his debates with Miliband, Poulantzas (1969: 72) criticized him for under-emphasizing the importance of sectoral cleavages within the capitalist class, such as monopoly capital, industrial capital, financial capital, and so on. According to Poulantzas (1975a: 297-298), this “profound division of the bourgeois class into antagonistic fractions” generates powerful conflicts of interest among elite groups, which means that the economic elite is “incapable (through their own organizational means) of transforming their specific interest into the political interest.” Left to itself, the economic elite is “not only exhausted by internal conflicts but, more often than not, founder in contradictions which make them incapable of governing politically.”

Structuralists maintain that corporate managers are not typically concerned with class loyalties or commitments, but only with the specific interests of their own firms. They contend that most business leaders are simply too narrow-minded to cooperate on behalf of their common class interests. As a result, those policies which are designed to preserve the long-term collective interests of big business are not given much consideration in the corporate world. Conflicting priorities and a lack of class consciousness ensure that the economic elite is incapable, by itself, of achieving political

unity and acting collectively (Mizruchi, 1992: 23). Therefore, structuralists contend that the state must do for business what it is unable to do for itself – mediate and transcend the individual interests of particular elites and class fractions. It is here where the ‘relative autonomy’ of the state becomes vital. Poulantzas maintained that the state is ‘autonomous’ because state policy is independent of the narrow pursuits of individual capitalists, but this autonomy is only ‘relative’ because of the ultimately determinant role of productive relations. Because state autonomy always remains relative, it can *only* be used to implement policies that are in the overall, long-term interests of the capitalist class (even though particular members of this group may fail to recognize it).

Within this formulation, the state is described as a unifying mechanism, similar to those mechanisms discussed by instrumentalists like Miliband and Domhoff. Structuralists also suggest that state officials are pawns of the capitalist system, unable to exercise political power toward non-capitalist objectives. Poulantzas insisted – without the benefit of empirical evidence – that business *itself* had no mechanisms that enabled it to generate unity and, further, that business leaders are too divided to engage in organized political action. Yet, such a formulation cannot explain the simple reality that business elites do form many kinds of associations to organize their members, plan policy, lobby government, and engage in many other political activities. It also ignores the obvious – and often overtly expressed – political motives of policy-planning organizations, high profile think-tanks, and large ‘charitable’ foundations, as well as the unifying potential of interlocking directorates and concentrated ownership. A few of these organizations, like the Business Council on National Issues, have as their express purpose the unification of the business community. Furthermore, if the state is as structurally constrained as

Poulantzas suggests, what accounts for the fact that business leaders often deeply mistrust it, and relentlessly pursue direct methods of influence? Some of these challenges have been met with 'softer' versions of structuralism, such as that offered by Fred Block.

Block (1977: 15) contends that, in a capitalist economy, corporate officials decide on their rate of investment on the basis of a variety of specific variables including size of the market, taxation rates, labour costs, unionization levels, and so on. The sum of these evaluations about the political/economic climate lead to a particular level of business confidence. Capitalists, in their collective role as investors, can exercise a 'veto' over state policies because their failure to invest at adequate levels can create major political problems for state managers. This discourages them from taking actions that might seriously decrease business confidence and means that they have a direct interest in using their own power to facilitate it.¹ Making business 'happy' is important not only for attracting capital but for keeping it. According to Block (1980: 227), as long as capital has advanced warning that they face a threat, they will be able to launch a capital strike or engage in capital flight. The state, therefore, seeks economic stability not only because of structural forces but because of self-interest on the part of bureaucrats and politicians. In short, maintaining a 'favorable investment climate' will keep business confidence strong, investment levels high, and state officials employed.

On the other hand, the structural power generated by investment decisions is just a 'signaling device.' It can help set the political agenda and define alternatives but it cannot

¹ Block is introducing an idea developed much further by state-centered theorists. State theorists argue that state officials might pursue their own distinctive goals, rather than those of interests groups or capitalists. As well, state structures, such as bureaucracies, party systems, rules of electoral competition, constitutional frameworks and relations among different levels of government, are viewed as important determinants of social policy (Olsen and O'Connor, 1998: 19). See, for example, Evans, Rueschmeyer, and Skocpol, 1985; March and Olsen, 1989; Steinmo, Thelen, and Longstreth, 1992; and Olsen, 2002.

tell governments what to do. If state managers are to know what is needed to maintain or restore business confidence, there must be some institutionalized mechanisms for business to communicate those needs to policy-makers. To explain this, Block (1977: 13) acknowledges campaign contributions, lobbying activities, and so forth, as techniques of increasing the state's receptiveness to business interests. Included in this category of influence channels is the recruitment of business elites directly into the state system, as well their participation in various policy organizations. Many of these direct methods of influence are not unlike the ones discussed by instrumentalists and elite theorists. Moreover, these direct pressures from business assume a more important role during what Block refers to as 'exceptional periods,' such as wars, depressions, and postwar reconstruction. In these periods the capitalist context changes allowing state managers a greater degree of freedom in relation to capitalists, including the leeway to implement more stringent economic controls (Block, 1980: 232). Because the loss of business confidence and the threat of capital flight are not as critical in these periods, business efforts are stepped up to employ direct lobbying initiatives.

The notion that business leaders are able to quickly coordinate a strike when faced with threat or that they can immediately alter political strategies and tactics in response to varying degrees of structural dominance, seems to suggest high levels of business unity and class consciousness. Yet, Block rejects the idea of class consciousness entirely, arguing that a division of labour exists between corporate leaders and state managers. For Block, state managers are the ones who protect the system by maintaining economic and political stability. Capitalists, therefore, do not need to be class conscious. Block maintains, like Poulantzas, that investors do not make subtle evaluations as to whether a

regime is serving the long-term interests of capital; firms look out for their own immediate economic interests and the chain of events unfolds without any members of the elite consciously deciding to act 'politically' against the regime in power. In fact, the economic elite is likely to adopt policies – if they were directly able – so repressive that they would endanger the social order. Indeed, much of the structuralist theoretical model rests on the premise of a divided and narrowly-focused elite. What is worth stressing, however, is that structuralists have produced little empirical evidence to support this assumption. Instead, they have tended to *deduce* the behaviour of elites almost entirely from the supposed constraints of the system. Whitt (1980: 52) argues that this approach – when combined with distrust of empirical methods of research – leads to an inadequate analysis of elite integration.

A number of other political theorists agree with these structuralist assumptions and reject the possibility of unity. Pluralists, such as Dahl (1958, 1961) and Rose (1967), argue that elite networks have become increasingly divided and diffuse in capitalist societies, not more integrated. They believe that the mechanisms identified by unity theorists do *not* create class cohesion but agree that they would lead to unity if they were effective. (Mizruchi, 1992: 31). In fact, Dahl (1958: 465) even concedes that the “political effectiveness” of any group depends upon its “potential for unity.” However, by claiming that business unity never arises in the first place, pluralists avert concerns regarding its possible consequences. As Mark Smith (2000: 7) points out, “[i]f firms do not exhibit solidarity in practice, [pluralists] need not worry about the hypothetical likelihood that unity would lead to business power so strong as to subvert representative democracy.” Of course, arguments based on pluralism and those based on structural

Marxism diverge radically in the implications they draw from this presumed disunity. For pluralists, the economic elite is too divided to be any more effective than other interest groups in imposing its views on the state. For structural Marxists, however, it is because of this disunity that the state can and does assume the role of protecting the common interests of the entire business elite.

Theda Skocpol (1985: 27), a state-centered theorist, asserts that capitalists “lack the political capacity to pursue class-wide interests in national politics.” Claus Offe, a structuralist/systems theorist, says that “the anarchy of competition-gearred capitalist production” makes it “extremely unlikely” that a class interest could emerge from among the competing special interests of different business groupings (cited in Barrow, 1993: 47). This ‘anarchy’ is primarily due to the stubborn and short-sighted empirical interests of single capital units. Jorge Niosi (1982: Chapter 3) questions elite unity as well, arguing that many directors are strictly advisors and have far less power than large shareholders. He believes that the inequality of power within large corporations divides the elite. Niosi (1985: 58) also perceives disunity as arising from a number of other sources,

As a social group the Canadian bourgeoisie is deeply divided. With so many large foreign multinational corporations present in Canada there is a comprador counterpart to the autochthonous Canadian bourgeoisie whose job is to manage these foreign subsidiaries...The regional character of the Canadian economy provides a second basis for cleavage...[and] ethnicity is a third source of cleavage...the Canadian capitalist class is now deeply divided along linguistic and ethnic lines.

Clearly, a common thread runs through the various critiques of elite unity – that the economic elite is inherently incapable of articulating and advancing its own long-term interests, mainly due to its lack of cohesion, class-consciousness, and political

sophistication. This claim, however, is highly suspect and often simply taken for granted.

Clyde Barrow (1993: 47) summarizes,

after all is said and done, methodological decrees do not answer to historical evidence supporting the claim that [the economic elite does] manage to articulate a class-wide interest in the policy-formation process ... The fact is that [business leaders] are not lacking in political consciousness and are not totally ignorant of their common interests.

It is this point of view and the ramifications thereof which will be advanced in the following sections.

The Challenge of Unity Theorists

Even those theorists who assume that the economic elite is unified recognize that there are forces within the business world that lead to conflict and divergence. For example, there are important divisions between financial and non-financial capital, retail and manufacturing firms, large international corporations and smaller domestic ones, as well as competition within industries and regional divides. Rather than relying on the common goal of preserving capitalism as the basis of elite cohesion, 'unity theorists' focus on the institutional mechanisms that enable sectors of capital to resolve their conflicts. They posit the existence of a number of powerful unifying mechanisms, which help corporate leaders to facilitate cohesive political action rooted in shared class interests.

Marx himself claimed that there was class consciousness in the upper classes, and that this was precisely where it could be demonstrated (Domhoff, 1970: 92). Compared to subordinate classes, the capitalist class has a far more developed consciousness of its own class position. They recognize better than anyone else the need for solidarity in class warfare. Although there is a considerable amount of diversity and disagreement among

them, the members of the capitalist class share “a basic political consensus in regard to the crucial issues of economic life ... men of property and wealth have always been fundamentally united, not at all surprisingly, in the defence of the social order which afforded them their privileges” (Miliband, 1969: 44).

Arguing from an instrumentalist perspective, Miliband concedes that there are differences among those with wealth and power. But, in alliance with elite theorists such as Mills (1956), he insists that this does not prevent them from constituting a dominant economic class, possessing a high degree of solidarity and common purpose. Miliband does not ignore, as Poulantzas contends, the important differences between competing segments of capital. Rather, he acknowledges that members of the economic elite are often divided over a multitude of policies and issues. Capital divisions, notably the division between large-scale enterprise and medium or small business, are important. They do *not*, however, prevent the fostering of a basic ideological consensus, which is fundamentally important for business power. Moreover, when disagreement does occur, it takes place within a very narrow conservative spectrum that precludes major conflict.

Indeed, there are many issues over which the economic elite as a whole is more or less united, and this unity will assume a more solid political expression when class conflict is high and they face a threat. One reason for this is that capital forms something close to an ‘organized minority,’ in which there is a high degree of social and political interaction among its members, through interlocking directorates, business

associations, family connections, educational similarities, and social clubs.² Of course, all of this is in addition to the incredible resources it controls – both economic and cultural – for coordinating actions and implementing decisions. As Peter Newman (1975: 385) remarked years ago, “[p]ower tends to connect; absolute power connects absolutely.”

Even successful managers and entrepreneurs of working class origins are very easily assimilated into the elite, both in their style of life and their outlook. Miliband (1969: 42-43) points out that, “[s]ome may retain a lingering sense of their antecedents, but this is unlikely to be of great consequence, socially or ideologically. Wealth, in this restricted sense at least, is the great leveler. But wealth is also a great leveler in ideological and political terms.” This is as true today as it was in the past. Regarding the maintenance and defense of capitalism, Miliband (1969: 31) writes, “class-consciousness is on this score very easy to achieve. As a matter of historical fact, privileged classes have always been perfectly class-conscious, at least in this sense.” Speaking of the United States, Noam Chomsky explains that,

only two groups are allowed to be class-conscious in the United States. One of them is the business community, which is rabidly class-conscious. When you read their literature, its full of the danger of the masses and their rising power and how we have to defeat them. Its kind of vulgar Marxism, except inverted. The other is the high planning sector of the government (cited in Chomsky and Barsamian, 1997: 60).

A clear perception of class interests, however, does not always guarantee a clear perception of the ways in which these interests may best be defended. But this is of no

² Another source of social and political interaction between members of the elite, which is not looked at in this study, is social clubs. Private social clubs differentiate the elite from other members of society and provide a mechanism for the creation of elite cohesion. Domhoff (1998: 86) points out that just as private schools are a regular feature in the lives of upper class children, private clubs are an important point of orientation in the lives of upper class adults. For a discussion of Canadian social clubs see Clement, 1986; for the United States see Domhoff, 1974.

great surprise – disagreement over the tactical elements of class rule is quite common, and of less importance than disagreement over their desired results.

As we have seen, structuralists reject the idea of class-consciousness and solidarity within the capitalist class. Yet, this assumption is clearly at odds with structuralism's relative autonomy framework. Relative autonomy theories assume that business leaders will respond effectively to the 'abuse' of that autonomy. But for the elite to be capable of taking such corrective actions, it must have some degree of internal cohesion, an understanding of its interests, and a high degree of political sophistication – all of which unity theorists claim it *does* have. In short, the theory requires that the economic elite, or at least a portion of it, be class conscious. Thus, Block (1977: 9) concedes that, "[a]t this point the theory of relative autonomy collapses back into a slightly more sophisticated version of instrumentalism. State policies continue to be seen as the reflection of inputs by a class-conscious ruling class." Alternatively, if business is too fragmented and competitive to respond to the state's abuse of its autonomy, then there must be concrete structural mechanisms that prevent the state from exceeding its normal authority. However, there has been very little said as to what these mechanisms might be. Poulantzas does discuss the functional necessity for such a state structure but offers no explanation of the social mechanisms which guarantee that the state must function in this way.

One obvious way out of this dilemma would be to employ some notion of class consciousness. "It could then be argued that class-conscious capitalists guide the development of state structures which accomplish the needed functional patterns" (Gold et al., 1975: 38). Structuralists, however, have almost completely rejected the usefulness

of consciousness as an explanation for any aspect of social structure. Instead, Poulantzas imputes the needs and goals of elites to the capitalist system. However, although socio-economic systems do pressure individuals into particular roles and patterns, and have certain requirements for their maintenance, they do not have needs or goals. Robert Brym (1989: 194-195) reminds us that “[a] capitalist system’s ‘need’ to perpetuate capitalist class relations is no more than a desire on the part of people who benefit from those relations to see things continue pretty much as they are.” The same is true of specific institutions. Corporations, for example, do not have objectives other than those instilled in them by people. They are legal devices created to accomplish certain ends. As Mills (1956: 286) points out, corporate elites “are not merely ‘bureaucrats’: they command bureaucracies.”

Block’s (1980: 232) discussion of ‘exceptional periods’ – those periods when capital cannot rely on its structural power to ensure state compliance – also implicitly suggests a high level of class consciousness and agency on the part of the elite. During these periods, business leaders will utilize the more direct and ‘instrumental’ channels of influence at their disposal. In order for them to do so, they must be aware of the threat posed by a more autonomous state and take collective action to successfully use these more direct methods of influence. This implies a relatively cohesive and politically aware class, one that recognizes its own long-term interests, recognizes when those interests are threatened, and is able to implement quick and effective solutions.

These debates over class consciousness are very much related to debates over agency and motivation, for obvious reasons. Because the state functions within a system of objective relations, independent of the will of its agents, Poulantzas (1969: 70) argues

that Miliband is wrong to suggest that 'motivations of conduct' can be used for explanatory purposes. Therefore, studies of corporate political action, policy-planning organizations, historical investigations of policy formation, and other empirical endeavors are methodologically suspect because they 'give the impression' that classes are reducible to inter-personal relations and motivations of individual actors. But if motivations are ignored altogether, it negates the argument that needs to be put forth against elite apologetics. Those in positions of elite power and authority must be held accountable for the policies they design and implement, and for the often devastating consequences that result. By focusing solely on the place in production, those in elite positions are imprisoned in 'structuralist stone,' in effect relieving them of all responsibility and accountability.

Whatever the merit of his assertions about historical agency, it is clear that Poulantzas' own approach errs in the opposite direction. He is so concerned with the development of an appropriate 'problematic' that he loses sight of the importance of empirical analysis (Miliband, 1970: 55). He also severely undermines the efforts and struggles of social activists. This is an important critique not just of Poulantzas, but of Marxist scholarship in general. Instead of focusing on the concrete, day-to-day struggles of working people, many Marxists expend their energies attempting to perfect the theoretical contours of Marxist 'science.' This orientates people away from the importance of their own organizing as a far more promising basis for change. Marx himself taught us to look critically at ideologies and conceptual frameworks. Varieties of Marxism that locate themselves above the logic of empirical inquiry need to be seriously questioned.

In general, disagreement among different segments of Canadian elites occurs *within a framework of consensus* on underlying values. The range of disagreements is relatively narrow, and is generally confined to means rather than ends. In the *State in Capitalist Society* (1969: 141) Miliband writes, “[b]usiness, it could be said, is tactically divided but strategically cohesive; over most of the larger issues of economic policy, and over other large national issues as well, it may be expected to present a reasonably united front.” This is a critical qualification. Battles may be fought within corporate boardrooms and policy organizations over *how* to properly defend elite interests but this does not suggest conflict over *what* is to be defended. Put another way, it could be said that nearly all business leaders are motivated to exploit the general population, but disagree over how best to achieve this.

Indeed, research has shown that elites exhibit high levels of solidarity over the ‘large issues of economic policy’ discussed by Miliband. For example, a 1994 project developed by the Ekos research and polling group called “Rethinking Government,” interviewed 1000 key decision makers in Canada (top state officials and corporate executives), as well as 2500 members of the general public. One finding of the study was the remarkable degree to which the elites were “homogenous in their values and attitudes...due to both their shared social class and internal cohesion.” It also noted that “a profound gap exists between the public and decision-makers in the area of preferred government values.” More specifically, those policies that would facilitate equality, collective rights, social justice, full employment, and business regulation were routinely low on the elites’ list of priorities, but high on the general public’s. Overall, the values of the two groups were almost totally reversed (Dobbin, 1998: 131). As Miliband

proclaimed, it is a mistake to confuse disagreements over tactics with differences in fundamental values.

Other studies have drawn similar conclusions. Michael Ornstein (1982a: 31-37,50; 1982b: 5-7,10), for one, has shown that Canadian capital is nearly unanimous in its opposition to the redistribution of income, as well as to the measures that would increase the rights of workers and the power of trade unions. No systematic differences separated medium and big business, nor was a significant cleavage found between different types of industry. Ornstein (1989: 163) also claims that "the high degree of foreign ownership and other peculiarities of Canadian capital have not resulted in an unusually fragmented network." Paul Williams (1982: 14-17) notes a remarkable degree of consensus shared by big and medium business with respect to social welfare issues, most notably a concerted opposition to the expansion of the social welfare system, and a willingness to use social welfare policy to regulate economic conditions and the size of the surplus labour force.

The importance of maintaining this relatively stable consensus over key issues of public policy is certainly recognized by elites. In fact, some corporate officials are so committed to solidarity that they will support positions which are detrimental to the short-term interests of their own companies. That class considerations sometimes outweigh these more immediate company concerns is quite outstanding, given the importance attached to profits and market-share. As many unity theorists argue, this suggests the existence of an enormous degree of political awareness on the part of high executives, as well as a steadfast dedication to maintaining their position of dominance.

Over-riding Class Interests

One generally assumes that the short-term profit motive is what ultimately determines the rationality and strategies of the economic elite and, to some extent, this is certainly true. But sometimes broad, class interests overshadow narrow political interests. For example, when the Tobin Tax was proposed in 1978 to penalize the movements of financial funds for speculation against currency, capital reacted in a united fashion against the initiative. Even the sectors of capital that would benefit from it did not support it. Economist David Felix has argued that this was because they have an overriding class interest, which overcame their narrow profit interest. According to Felix (cited in Chomsky and Barsamian, 1997: 223), the overriding class interest involves using the fiscal crisis of states to undermine the social contract that had been built up over the years – to roll back the gains in welfare benefits, workers' rights, union rights, job security, and other intolerable developments. This interest was important enough to detract concern for short-term profits. The Tobin Tax was one tax measure that even Jean Chretien considered, before he was "quickly re-educated" (Dobbin, 1998: 290). It is for similar reasons that Chomsky believes American elites prefer military spending to social spending,

if it turned out, as is likely, that using taxpayers' money for socially useful purposes was even more profitable than sending it through the military system, that still wouldn't change the decision to prefer military spending – because social spending is going to interfere with the basic prerogatives of power, its going to organize popular constituencies, and have all those other negative side effects that [business wants] to avoid (cited in Chomsky et al., 2002: 122-123).

Murray Dobbin (2000) makes a similar argument concerning the privatization of healthcare in Canada. He questions why the Canadian economic elite has not spoken up to protect Medicare from this threat, given that Medicare provides such an enormous

competitive advantage to Canadian business. Indeed, some corporate sectors are eager to open up the healthcare system to private profit. Notably, however, those sectors that significantly benefit from the current system have not been critical of recent privatizing initiatives. Dobbin (2000: 22) suggests the reason is that “there is such a determined dedication to neoliberal ideology that even the fiduciary duty to shareholders succumbs to corporate unity on free market doctrine.” Clearly, there are some things that are more important than profits, like maintaining the entire system of power and privilege. Many business executives understand this and act accordingly.

There are, of course, some issues over which the elite is significantly divided, and where fractional divisions are strong. Political scientist Thomas Ferguson (as discussed in Chomsky and Barsamian, 1997: 117, 264) argues that long periods of apparent political compromise, when nothing major is happening in the political system, are simply periods in which large groups of investors have been in relative agreement as to what public policy should look like. The moments of conflict that arise, like the New Deal in the United States, are cases where there has been some difference in perspective and orientation between them. Ferguson says that there has been a fairly consistent division between capital-intensive, high-technology, internationally-orientated financial and industrial sectors (big business) on the one hand, and the more labour-intensive, domestically-orientated, less advanced technological sectors on the other.

The former group that Ferguson mentions (the larger, internationally-orientated sector) is typically more willing to accept an expanded welfare state and is in favour of what is sometimes called welfare capitalism. These groups understand more clearly the benefits of an orderly workforce and of keeping class-conflict to a minimum. In keeping

with this perspective, they often adopt 'progressive' attitudes toward unions and labour legislation, and recognize the necessity of state intervention. In Canada, many of these corporations, and their executives, are represented by the Business Council on National Issues (BCNI). Mills (1956: 122) comments that these 'business liberals' are more politically sophisticated because "they are more flexible in adjusting to such political facts of life as the New Deal and big labor, because they have taken over and used the dominant liberal rhetoric for their own purposes, and because they have...attempted to get on top of, or even slightly ahead of, the trend of these developments."

To the same end, Chomsky argues that "if you look at many of the things that have really improved the country, like the New Deal programs in the 1930's, for example, a lot of the drive behind them was coming from big business." The reason business leaders are willing to support this kind of legislation is because "they know the system's going to self-destruct if there aren't devices around to bring things under control" (cited in Chomsky et al., 2002: 192). Sometimes termed 'corporate liberalism,' this set of attitudes is not rooted in a "commitment to reform, nor in an enlightened acceptance of labour and government opponents, but rather in the recognition that the entire business community and the future of the private economy will best prosper if it assumes a position of compromise" (Useem, 1984: 114).

Of course, this is not to ignore the labour movement, activist groups, and waves of popular ferment that have contributed to egalitarian policy reform over the years, in nations all over the world. While there may be some business leaders who recognize the stabilizing benefits of such legislation, the initial political push for these initiatives usually comes from those groups who directly benefit from them. Thus, elites typically

'get on board' when they recognize that particular reforms will reduce class conflict. Structuralists go much too far when they suggest that all reforms are in the long-term interests of the elite, regardless of the nation or policy under scrutiny.

For example, according to some structuralist accounts, the introduction of factory legislation to protect women in the late 1800's did not result from the efforts and sacrifices of women's groups and others. Rather, it was really about preserving capitalism by ensuring the reproduction of a future labour force (Olsen and O'Connor, 1998: 23). This logic all but condemns the struggle for policy reform as regressive – if not objectionable – because it may increase the longevity of capitalism by 'humanizing' it. It also ignores the positive affects that these policies can have on people's lives and downplays the difficult battles that have been fought and won, often under conditions of extraordinary violence and repression.³ As well, if the state can only implement policies in the elite's long-term interests, then it follows that there should be little difference between states cross-nationally. This has been shown to be false through a large body of cross-national research on social policy and inequality.⁴

³ In fact, within the structuralist framework, the primary objective of most social welfare programs is to restore, enforce, and maintain social order. Structuralists' focus on the state's functions – including automatically responding to the needs of capitalism – gives it a very functionalist orientation, one that marginalizes the efforts of those who have dedicated themselves to progressive social change.

⁴ See, for example, Walter Korpi (1983, 1989), Gøsta Esping-Andersen (1985, 1990), Esping-Andersen and Korpi, (1985), John Stephens (1980), and Julia S. O'Connor and Gregg Olsen (1998). Although Poulantzas took this logic to its extreme, Miliband also typically assumes that those social policies seemingly in the interests of the lower classes are merely concessions designed to control them. He criticizes social democratic governments that have "always been at great pains to *subdue* popular expectations" (1969: 91). Power Resources Theory (which is closely associated with the work of those listed above) demonstrates, however, that the character and impact of social policies varies significantly across nations, depending on the balance of power between capital and labour. It highlights critical differences among nations with respect to social inequality and working class strength. Significantly, as the Miliband-Poulantzas debate wore on into the late 1970s, both theorists began to modify their positions and to account for the existing impact and future potential of grassroots and working class organizing efforts.

To be sure, the state is potentially responsive to pressures from the lower classes. This is recognized, for example, by rural workers in Brazil who have a slogan called 'expanding the floor of the cage' (Chomsky and Naiman, 1998: 85). The workers understand that they are trapped inside a cage – the capitalist state. But they also realize that they need to protect some elements of the state that are potentially responsive to their needs, as well as to extend the limits of what the cage will allow. These are essential preliminaries to dismantling it. As the floor of the cage gets larger, the possibilities for further change increases. It creates different attitudes and expectations, different understandings, different forms of participation, and yields insights into the limits of existing institutions. In other words, the state is inherently class based and will act to defend capitalist interests, but popular organizations can significantly influence its organization, structure, and policies.

Returning to the issue of elite unity, although some 'far-sighted' corporate leaders may be willing to support policies which conflict with their company's interests, certainly many other leaders will not. Pluralists, structuralists, and others view this as evidence of weak and incidental class loyalties. Accordingly, when corporate officials enter politics it is to promote the narrow interests of their own firms. However, for the economic elite to develop and maintain solidarity, it is not necessary that every elite member be in agreement on every issue. If a particular group within the elite can think and act in the overall interests of capital, and has the ability to persuade other groups to more or less accept its mandate, business unity can be largely and effectively generated.

The Inner Circle and Class-wide Rationality

Michael Useem (1984) suggests that there is a segment of the elite with the capacity to promote the broad, overall needs of big business and to act as political leadership for business as a whole. He calls this group the 'inner circle.' While Useem's analysis specifically concerns the United States and Britain, his framework can be applied to other industrial democracies, including Canada. According to Useem, most business leaders are not part of the inner circle; their concerns do not extend much beyond the well being of their own companies. However, there is a leading edge of highly class-conscious executives "whose positions make them sensitive to the welfare of a wide range of firms ... [They] have come to exercise a voice on behalf of the entire business community." Inner circle members "constitute a distinct, semi-autonomous network, one that transcends company, regional, sectoral, and other politically divisive fault lines within the corporate community" (Useem, 1984: 3). By virtue of their special positions within corporate networks and extensive business connections, this group is uniquely suited to mobilize corporate resources, organize corporate political activities, and act at the forefront of business-government relations. Crucially, they have the ability to promote compromise between competing sectors of the business community and reconcile their demands. It is this politically charged group of leaders, with distinct political outlooks, that comprise the inner circle.

Useem's inner circle, like Mills' 'power elite,' is informed by a 'class-wide rationality' derived through common participation in various policy network associations and multiple board interlocks. Mills (1956: 121) argues that the executives of large corporations often broaden their outlook from their own company's policies and interests

to those of the industry. But some go a step further and “move from the industrial point of interest and outlook to the interests and outlook of the class of all big corporate property as a whole.” These executives are keenly aware of the wider social environment in which business operates and have a unique capacity to articulate those political conditions that would lead to the realization of class interests.

Class-wide rationality allows inner-circle executives to successfully advance public policies that are of significant concern to large numbers of firms. Useem (1984: 16) elaborates, noting that “if they promote these concerns, both individually and through select organizations, government policy-makers will hear, though of course not always

Table 1.1
Typology of Corporate Political Action: Business Disunity and Unity

Generalized Model of Corporate Political Action	Motivations and Political Expression	Actors
<p>Business Disunity</p> <p>Theoretical Schools:</p> <ul style="list-style-type: none"> • Interest Group / Pluralism • State-Centred Theorists • Structural Marxism 	<p>Selective:</p> <p>Economic/ Organizational Interests</p> <p>-----</p> <p>Company Rationality</p>	<p>Complex Organizations:</p> <p>Corporations / Trade Associations</p>
<p>Business Unity</p> <p>Theoretical Schools:</p> <ul style="list-style-type: none"> • Power Elite & Social Class • Instrumental Marxism 	<p>Solidaristic:</p> <p>Collective Interests</p> <p>-----</p> <p>Class-wide Rationality</p>	<p>Class Segments:</p> <p>Inner Circle</p>

Adapted from: Michael Dreiling (2000), The Class Embeddedness of Corporate Political Action: Leadership in Defense of the NAFTA. *Social Problems* 47(1): p.26

heed, a point of view far more indicative of the general outlook of business than representatives of individual companies could ever provide.” In fact, Useem (1984: 88) says that this commitment to ‘system interests’ partially accounted for the willingness of several inner circle executives to receive him for an interview. They generally felt a greater responsibility for getting the business point of view across to the public and communication with researchers was one means of doing so. Table 1.1 summarizes many of the key points of discussion thus far, comparing the different orientations of unity and disunity theorists.

A number of features of business organization contribute to the development of a class-wide outlook. First, heightened corporate concentration in recent decades has created a situation where fewer individuals have become responsible for the management of the private economy, leading to easier coordination and planning. Perhaps more significantly, the spread of intercorporate ownership has meant that the investments of top owners and managers have become dispersed between a larger number of companies, further interlacing the interests of individual capitalists. As well, the development of an extensive and diffusely structured network of interlocking directorates among major corporations has meant that some managers have assumed responsibility for the prosperity of several different corporations. According to Mills (1956: 122), those holding multiple directorship positions constitute “a more sophisticated executive elite which now possesses a certain autonomy from any specific property interest. Its power is the power...of class-wide property.” Interlocking directorates bring together top corporate officials from different firms and industries to discuss and reconcile issues of concern. They also allow companies to achieve an optimal ‘business scan’ of current

corporate practices and the general business environment (Useem, 1984: 45). A systematic analysis of interlocking directorates and concentrated ownership will be provided in chapters two and three.

Major business policy organizations also aid the inner circle in its political role. These organizations are very different than the every-day trade association, whose primary purpose is to defend the interests of a particular industry. A small number of 'intersectoral' organizations have been created to provide a forum for debate around issues affecting big business generally. They seek to integrate the different sectors of capital and bring corporations together to support public policies that they may not otherwise support. In addition, they provide a setting for selecting those corporate executives who possess the class-wide business focus, and therefore deserve promotion as business representatives and government consultants. In Useem's (1984: 101) words, major policy organizations "both groom and screen the select number of business leaders who are to act on behalf of all." Examples include the Business Roundtable in the United States, the BCNI in Canada, and the Confederation of British Industry.

Murray Dobbin (1998: 178) suggests that the BCNI is so dominant in its role of creating elite consensus that other supporting organizations are often overlooked. It does, however, "have help from many other players, and the consensus is as powerful as it is because it has now permeated many other institutions and agencies that once produced broad policy alternatives." Some of its allies include the Canadian Chamber of Commerce, Canadian Manufacturers and Exporters, and important think-tanks like the Fraser Institute, the C.D. Howe Institute, and the Conference Board. The C.D Howe Institute, in particular, has been very successful in its dual role – helping to foster elite

consensus and helping to modify the political culture to reflect that consensus.

Philanthropic foundations have a role to play as well and are often directed by inner circle executives. Through foundations, corporate resources can be channeled in ways beneficial to the broader corporate community.

It is important to make clear that in Useem's view, only the inner circle is unified. He states that "[t]he characterization of the corporate community as relatively cohesive and organized is on the mark when applied to a select circle, but off the mark when taken to describe the entire business community" (1984: 193). Thus, Useem not only takes issue with pluralist and structural Marxist assumptions of business disunity, but also with instrumentalists and elite theorists who, he contends, error too far in the opposite direction. Again, however, for the economic elite to create and maintain solidarity does not require an overwhelming elite consensus. If a particular segment of the elite has the necessary vision, the capacity to organize, and the ability to reconcile conflicting demands, corporate unity can be effectively achieved. This segment – Useem's inner circle – has assumed a particularly critical role in the past few decades. Since the early 1970's, corporate political activities have significantly expanded in Canada and around the globe. Such a dramatic illustration of business mobilization provides a clear indication of what can be accomplished when capital is firmly united against a perceived threat.

The 1970's Capitalist Offensive – Elite Unity in Class Warfare

A remarkable example of the power that can be generated through united corporate political action is the well-recognized capitalist offensive that accelerated in the early 1970's – the initial stages of what is today referred to as 'globalization' –

throughout the developed capitalist world. This development was the result of two major factors. First, the political upheaval of the 1960's was of great concern to many people in power, as normally marginalized groups such as labour, ethnic minorities, women, the elderly, and others began to get organized and enter into the political system. As Daniel Bell (1971: 7) pointed out in the early 1970's, the "benign attitude toward the corporation has receded ... the sense of identity between the self-interest of the corporation and the public interest has been replaced by a sense of incongruence." In other words, there was increased pressure for broader accountability and a heightened distrust of business stirring in many countries, including Canada. Langille (1987: 45-46) notes that Canada had a higher record of labour unrest and higher wage gains than many other countries during this time period. As a result, elite business sectors recognized that their interests were being threatened and mobilized their resources against expanded government regulation, falling profit margins, and general threats to their privilege. Elites from around the world agreed that this worldwide crisis had to be overcome, and the population returned to its proper state of ignorance and apathy.

In 1975, an important book was published by the Trilateral Commission called the "Crisis of Democracy," which addressed the political changes of the late 1960's and early 1970's. The Trilateral Commission is an international policy organization originally established by David Rockefeller and includes elite elements from the three major centres of industrial capitalism – the United States, Western Europe and Japan. The book offers a compelling account of how elites understand the world, and particularly how they view democracy and the way it ought to function. The 'crisis,' as they explain it, has to do with the fact that previously passive and marginalized sectors of the population became

organized (and arrogant) enough to enter the political system to press for their interests. According to the elites in the Trilateral Commission, this created a crisis because that is not how democracy is supposed to work. Policy should be dictated by those in positions of elite power, with the general population either following orders or ratifying decisions made elsewhere.

According to Harvard professor Samuel Huntington, before the crisis of democracy, “policy could be executed simply by a handful of Wall Street lawyers and financiers,” an exaggeration, but nevertheless a picture of what a ‘perfect’ democracy might look like (cited in Chomsky, 1992: 78). Huntington also laments the fact that the public was now beginning to question “the legitimacy of hierarchy, coercion, discipline, secrecy and deception – all of which are in some measure inescapable attributes of the process of government” and “no longer felt the same compulsion to obey those whom they had previously considered superior to themselves in age, rank, status, expertise, characters or talents” (cited in Dobbin, 1998: 162). For elites, genuine democracy constitutes a crisis that must be avoided, revealing their contempt for the masses who must be suppressed and reduced to apathy.

The second major factor behind the corporate offensive was that a number of ‘new weapons’ had come into the hands of private power. Revolutionary changes in telecommunications, financial de-regulation, the expansion of a multinational outlook among corporations, and other global developments provided elites with more financial power, as well as new methods of class warfare. So even without the political transformations of the 1960’s, there still “would have been an effort to move from containment of New Deal-style liberalism to rollback of it” (Chomsky and Barsamian,

1997: 262). This sweeping and aggressive corporate offensive was designed to accomplish a number of objectives. Business leaders sought to lower living standards for the lower and middle classes by reducing wage gains, inducing 'normal' levels of unemployment, cutting state provided social services and benefits, weakening or destroying unions, and generally dismantling those (already weak) popular structures that enable ordinary citizens to fight for their rights in opposition to the owners and managers of the economy. The universities were also attacked, as was the independent media, while the public education system was targeted, once again, as a potential tool for profits and propaganda.⁵

Clearly, a crucial element in this offensive was an attack on the state itself. Many elites blamed state intervention for the economic difficulties. Some of their solutions included large reductions in taxes for the wealthy, cutting state spending for the poor, and less capital regulation. It is important to keep in mind that it was not *less* government intervention that was called for, but a different *kind* of intervention. Only state intervention in the interests of workers or that which constrained capital mobility and profit making, was to be reduced. The reasoning is simple: business wants the popular aspects of government (those programs that serve the needs and interests of the general population) weakened, but still wants a powerful state – one that protects it, directs resources its way, and is generally removed from public control. Aside from these more specific goals, the offensive represented a much broader objective. It was an attack on the very concept of democracy and the way it had developed (Carnoy, 1984: 233). Elites sought to roll-back the social contract that had been won through decades of bitter struggle. Chomsky summarizes this broad mandate,

⁵ For a detailed account of the attack on Canadian public education, see Barlow and Robertson, 1994.

if you look back to the 1970's it began to appear...as if it might be possible for real ruling groups to do something that they've always hoped to do but couldn't, namely, to roll back everything connected with the social contract...go right back to the days of 'satanic mills' where they believe they have enough weapons against the population – and its not implausible – that they can destroy human rights, eliminate the curse of democracy except in a purely formal way, move power into the hands of absolutist, unaccountable institutions which will run the world in their own interests...eliminate workers' rights, political rights...destroy it all (cited in Chomsky and Barsamian, 1997: 154).

The fact that corporate leaders recognized and immediately responded to the popular challenges of the 1960's and 1970's, suggests that business cohesion was already strong prior to these events. But Useem (1984: 171) argues that the rise in corporate political activism "would not have been as rapid, however, nor its thrust as effective were it not for the presence of the transcorporate networks of the inner circle, the classwide social organization that had gradually developed over the years." These networks greatly facilitated corporate political mobilization, largely through the generation of solidarity.

The goals of Canadian business leaders were very similar to those of other nations. They aimed to bring Canada under corporate rule within the next two decades. As Ed Finn (2000: 3) points out, this had to be done "quietly, stealthily, incrementally, to avert the mobilization of effective opposition. It had to be given the appearance of a natural evolution, driven by impersonal and inexorable global forces." Canada's largest corporations launched a series of independent projects aimed at further establishing a solid elite consensus regarding the long-term strategies of capital. But this was not the only goal. Equally important to Canadian elites was to fundamentally change the political culture of the country (Dobbin, 1998: 216). To this end, many 'advocacy think-tanks' were established in the 1970's, including the C.D Howe Institute in 1973, the Fraser Institute in 1974, and the Institute for Economic Policy in 1979. Other organizations

underwent significant transformations such as the Conference Board, whose small Montreal office was moved to Ottawa leading to the rapid growth of business forecasting and research (Abelson and Lindquist, 2000: 43). Their role was to provide the emerging corporate onslaught with the appearance of academic credibility.

As was mentioned, the creation of the BCNI in 1976 was an extremely important development for Canada's elite. The BCNI was designed as a policy organization which could reflect the whole range of views within the business community, and offer an integrated approach to government. It became the Canadian counterpart to organizations like the Business Roundtable in the United States, the Swedish Employers' Association (SAF)⁶ and the Confederation of British Industry, all of which significantly extended their political activities in this time period (Useem, 1984: 170; Olsen, 1991).

For the economic elite to effectively handle these somewhat conflicting goals – using the state to weaken labour, minimizing the increasing politicization of the class struggle, and at the same time, pursuing a roll-back of state regulation and welfare measures – it required a level of political sophistication and unity much greater than the structuralist framework would allow. Corporate leaders even managed to recover some of their lost legitimacy, mainly through extensive propaganda campaigns, while effectively disciplining and integrating corporate ranks. This 'elite right turn' represented a very large and impressively organized consensus. The goals, however, were only partially achieved.

Mizruchi (1992: 30-31) argues that the focus of the unity debate should be reformulated. He suggests that instead of asking *whether* business is unified, we should

⁶ See Olsen (1991) for an account of how the SAF worked to subvert the proposal for wage-earner funds in the late 1970's and early 1980's.

be asking under what *conditions* does this unity occur? Block implicitly suggested that 'exceptional periods' were one such instance. The corporate offensive that accelerated in the 1970's shows that elite unity will assume a more solid political expression in times of acute class conflict, or when a significant threat is detected (also suggested by Block's analysis). As Simon Clarke points out, "[d]irect political intervention can acquire decisive importance in periods of crisis that call for a restructuring of the forms of political domination. There is a tendency for sophisticated intellectual Marxists to turn their backs on the evidence of such direct interventions" (cited in Langille, 1987: 71). Another outstanding example of direct and unified political action by Canadian business occurred in the 1980's during the so-called 'free trade debate.' This will be discussed in greater detail in chapter five.

The challenges to corporate power by people all over the world have not subsided since the 1970's. Today, there is an incredibly widespread opposition to the inherent inequities and compelling injustices of the current world economic system. Those groups and individuals who oppose corporate domination are joining together in networks of solidarity and political action at the national and international level. To be sure, these challenges are recognized and feared by business leaders, and it has heightened their resolve. Canada's business community remains strongly unified and integrated, under the watchful eye of the BCNI, and will continue to be so as long as the threat of democracy remains. The next series of chapters detail those mechanisms which facilitate the development of social and political cohesion among members of Canada's economic elite.

PART II

Economic Cohesion: The Structure of Corporate Capital

Chapter Two: Interlocking Directorates

One of the most popular indicators for identifying linkages between individual corporations and the elites who run them is interlocking directorates. Private corporations are governed by boards of directors elected by shareholders. These boards are responsible for evaluating major policy proposals and for the hiring and dismissal of top management. In addition, directors have the legal authority to make decisions concerning wages, working conditions, capital investment policies, and many other matters related to the disposition of corporate assets (Barrow, 1993: 18). Interlocking directors are individuals who simultaneously sit on two or more corporate boards of directors, whereas interlocking directorates are stable networks of interlocking directors among particular groups of corporations.

The typical board of a large firm consists of a range of inside and outside directors. Inside directors are those whose primary affiliation is with the firm, usually the company's top executives. Outside directors are individuals whose primary affiliations are with other organizations. These organizations are usually other large corporations (especially financial institutions), but may also include law firms, policy organizations, think-tanks, and others. Carroll (1986: 106) notes that those companies at the top of the corporate world – the dominant firms – are the ones with the strongest inter-corporate ties. They make up the core of the network, in and around which the majority of all other interlocks are focused. The core of the directorate labyrinth solidifies a much broader network of intercorporate alliances and is not isolated from middle range or small corporations. Many executives from dominant corporations are recruited to sit on the boards of smaller companies, and the opposite also occurs frequently.

Networks of interlocking directorates can be analyzed on two levels: that of the corporation (the institutionalized relations between firms), and that of the individual interlocker. Both levels are important because, as Carroll and Lewis (1991: 495) argue, “[a]dequate analysis requires examination of the structure both as a network of capitalists (and their functionaries) *and* as a network of the organizational units within which capital accumulates.” This dual focus allows for a more complete picture of class organization. The following account will incorporate both types of analysis. It will focus primarily, however, on interlocks at the individual level, the sum of which act as a structure of social cohesion among the members of Canada’s economic elite. Before proceeding to an analysis of the Canadian network, the theoretical interpretations of board interlocks will be briefly outlined.

The Determinants and Consequences of Interlocking Directorates

The Interorganizational Perspective: Interlocks as Intercorporate Alliance and Resource Exchange

An interorganizational perspective informs much of the research on interlocking directorates.¹ Here, boards are viewed as vehicles which corporations use to monitor and control other companies; “to co-opt threats in their environments from competitors, suppliers, customers, and regulatory agencies; and, generally, to coordinate their business activities with other corporations” (Ornstein, 1984: 210). Some interlocks involve reciprocity and an exchange of resources between firms, while others are asymmetric, extending to the outright control of a subsidiary through interlocking with a parent

¹ For an overview see Ornstein, 1984 and Mizruchi, 1992; 1996).

company. From the interorganizational perspective, interlocks are used by corporations in a straightforward and practical manner to coordinate and pursue their interests.

The role of the director in this formulation is largely parochial, that is, to promote the joint interests of pairs or cliques of firms, or advance the interests of one firm at the expense of the other. Shared company directorships act as instruments for reinforcing intercorporate resource exchanges, or, more specifically, as “a means of securing and routinizing the buying and selling of products, the borrowing of money, the formation of joint ventures, and other forms of economic interchange” (Useem, 1984: 41). For example, large manufacturing firms often maintain a very high number of ties to the major commercial banks. Interorganizational theorists infer that the manufacturers maintain these ties to protect their lines of credit, while the banks do so to protect their investments and loans in specific firms (Useem, 1984: 42). In either case, pairs of corporations are interlocked by their directors to ‘pacify’ the resource provider’s management and to serve the specific economic relations between them.²

It is certainly true that some interlocks are created by virtue of these instrumental considerations. Many of the interlocks that are formed between large industrial corporations and the big banks are cases in point. But Useem (1984: 43) suggests that “there are other factors underlying the creation of many, perhaps even most, interlocking directorships, factors that could give rise to the same observed aggregate patterns.” It is to these factors that the discussion will now turn.

² Mizruchi (1996: 276) suggests that resource exchange could even take the form of ‘legitimacy.’ Firms may not be seeking specific alliances but rather the prestige associated with being linked to other high-profile companies. This type of association signals that the firm is worthy of support and may help to secure important resources such as capital, raw materials, and markets.

The Class Dominance Perspective: Interlocks as Mechanisms of Elite Cohesion and Class-wide Coordination

The class dominance perspective represents the alternative to the interorganizational approach. This perspective explains the role of interlocks as expressing and maintaining class solidarity. Interlocks serve as a means of political and ideological coordination, and act as a network of shared social ties between members of the economic elite. An oft-quoted statement of this position is found in the writing of C.W. Mills (1956: 123): “ ‘Interlocking directorate’ is no mere phrase: it points to a solid feature of the facts of business life, and to a sociological anchor of the community of interest, the unification of outlooks and policy, that prevails among the propertied class.” Following Mills, other theorists, such as Ornstein (1980), Domhoff (1983), and Useem (1984) have argued that interlocks should be seen as elements of elite unity and integration. Useem (1984: 38) contends that there are three qualities of the interlocking directorate which make it a particularly effective organizational tool for the elite. First, the bulk of its members are fulltime senior managers of large corporations. Second, the network includes almost all of the large, dominant companies. And third, the ties are dispersed in a fashion that favors class-wide integration.

This third quality – how the ties are dispersed – is particularly important. When a high level executive of one corporation sits on the board of another, he or she establishes a *primary interlock* or *strong tie*. Put simply, the executive represents their own company on the board of the other. Interorganizational theorists pay special attention to this type of interlock and to the role of the inside directors. But there are other types of interlocks embedded within the corporate network. *Secondary interlocks* are created in two ways. First, by outside directors who sit on multiple boards; for example, a retired politician

who sits on the boards of two different companies but does not 'belong' to either company – meaning they have no representational function – establishes a secondary interlock or *weak tie* (Carroll and Alexander, 1999: 340-341). Another type of secondary interlock is 'induced,' that is, it is created as a by-product of primary interlocks. So, if an inside director of company X sits on the boards of companies Y and Z, he or she creates two primary interlocks. However, these two primary relations also induce an interlock between Y and Z. A director of four corporations, involving three primary interlocks, establishes three additional induced interlocks, and so on.

Class dominance theorists view board interlocks as a means to generate elite cohesion. Hence, they tend to give more weight to the secondary interlocks or weak ties, which weave together entire networks of companies in a more general way. Carroll and Alexander (1999: 341) comment that “[a]lthough secondary (and induced) ties may be less important in the accumulation process, such connections do figure in the other face of corporate power: they serve to integrate the corporate elite along sociocultural lines and thus may contribute to its hegemony.” Ornstein (1989: 162) argues that the secondary ties which are *not* induced are of particular importance. They are the ones most likely to serve the general interests of business, partly because outside directors are often well suited to represent the economic elite in the political arena. Their suitability is the result of their many 'resources' including, “their own wealth, their directorships at other corporations and non-profit organizations, their general understanding of business and investment, and their many relationships with other wealthy people, fund-raisers, and politicians” (Domhoff, 1998: 36).

The dispersal of ties relates to the extent of network 'diffuseness.' Diffuseness is the degree to which network ties are spread widely rather than concentrated within small groups or cliques. Networks are considered less diffuse when the directorships shared by corporations are the product of specific ties among cliques of firms, whereas networks are more diffuse when connections originate from processes unrelated to these specific relations (Useem, 1984: 41). Whether a network is diffuse influences its ability to serve as a vehicle for political coordination among the elite. If the degree of diffuseness is low, the interlocking directorate is not likely to be effective in this regard. On the other hand, a high degree of diffuseness facilitates such coordination. According to Useem, only a small portion of interlocks are the result of specific resource relations. Networks of interlocking directorates do tend to be highly diffuse, with *most* ties emerging out of a desire to solidify class domination and other basic class considerations.

A number of researchers provide evidence that Useem is correct – the creation of directorships is *not* typically the result of the economic interchange between firms. Koenig et al (1979), Ornstein (1980), and Palmer (1983), all studied the frequency with which accidentally broken interlocks between firms were reconstituted.³ They found that the majority of broken ties were *not* reconstituted with the same firm. The authors inferred from the low levels of reconstitution that the majority of interlocks reflected intraclass social ties and diffuse class interests, rather than organizational requirements. If interlocks were created for resource exchange or other firm-specific relations, then we would expect to see these broken ties quickly re-established.

³ In Palmer's study, for example, interlocking directorates are classified as 'accidentally' broken if they are severed due to changes in the director's personal circumstances rather than changes in the economic relations between the companies.

In his study of high level executives in the United States and Britain, Useem (1984) found that resource exchange considerations were of minor importance in crafting the make-up of corporate boardrooms. Although senior managers were usually expected to join the boards of other large firms, from the company's standpoint it did not matter which ones so long as the firms fell within broadly required categories. The same was true of the perspective of the inviting firms. Moreover, these invitations were usually unexpected; rarely did directors have a reason to expect that an invitation would be given by any particular firm. When asked why certain directorships were initiated, a majority of executives identified factors unrelated to trade or any other business relation between the companies. What motivated many board invitations, as well as their acceptance, was the desire to improve the company's *business scan* (Useem, 1984: 45). In other words, to learn about the general economic and political environments – an objective which is consistent with the broad ideological and political goals emphasized in the class dominance perspective.

According to both American and British executives, few experiences were more useful for obtaining information on the general business environment than was service on the board of another major corporation. As one American executive in Useem's study explained, "it extends the range of your network and acquaintances ... You get a more cosmopolitan view – on economic matters, regional differences, and international questions ... It just broadens your experience, the memory bank that you have to test things against" (pp. 47-48). The predominance of these motivations for outside directorships is not the pattern that would prevail if intercorporate resource considerations were a major factor in the makeup of the network.

Because interlocks tend to improve a company's knowledge of the political environment, it is no surprise that interlocked firms are more likely than non-interlocked firms to express the same positions on political issues. Mizruchi (1992: Chapter 7), for example, demonstrates a systematic link between interlocking and corporate political unity. Similarly, Veltmeyer (1987: 62) notes a strong association between interlocks and various forms of coordinated action, increased levels of cooperation, a strong sense of solidarity, and united political action on key public issues. Clearly, one of the most important purposes of interlocking directorates is to integrate the top executives of large corporations into an economically, socially, and politically cohesive group. Multiple board membership increases the knowledge and experience of managers, and creates a pool of highly skilled and class conscious executives.

Multiple Directors: Backbone of a Class Conscious Business Elite

Multiple directors are in a unique and powerful position within the world of business. Through multiple board memberships, these directors are well suited to recognize and help reconcile the problems of many companies, which often operate in very different corporate environments. Mizruchi (1996: 288) argues that heavily interlocked directors constitute a vanguard of the economic elite, as they are well integrated into the community and at the cutting-edge of innovations. Compared with other members of the elite who are only responsible for the operation of a single firm, multiple directors tend to have higher levels of political consciousness and outlooks which conform to the general interests of the corporate community. This is one reason why corporations with the greatest number of director interlocks are also the ones most heavily involved in political lobbying (Burris, 1991: 547).

In his famous study of the Canadian 'vertical mosaic,' John Porter (1965: 255) concluded that Canada's interlocking directors "are the ultimate decision makers and coordinators within the private sector of the economy. It is they who at the frontiers of the economic and political systems represent the interest of corporate power. They are the real planners of the economy." As multiple directors operate at the forefront of elite inner circles, they provide much of the glue that holds the elite together. Furthermore, they are an appealing source of government council because they come equipped with an integrated corporate vision and possess a "special aura of stature, legitimacy, and influence that is but faintly shared by directors of single companies, however eminent they may be in their own company or sector" (Useem, 1984: 62). Interlocking directors have been shown to sit on more nonprofit boards and to be appointed more frequently to government advisory positions than single directors. The number of directorship positions is also strongly associated with participation in business policy organizations (Useem, 1979; Domhoff, 1998). These findings support the idea that directors sitting on numerous boards are in a very strong position to coordinate corporate activity and represent the overall interests of the economic elite. We will now turn to an analysis of the Canadian network of multiple directors.

Mapping the Network – Interlocking Directorates in Canada

There are few up-to-date Canadian studies of interlocking directorates. In part, this may be explained by the "general decline in systemic empirical research on social structure and social inequality in Canada" (Ornstein, 1998: 173). Despite the lack of academic attention, a small number of contemporary studies exist which examine the social organization of the Canadian network. The following will outline three different

works: First, Ornstein's (1989) overview compares Canada's network with the corporate networks of ten other capitalist countries. Second, Carroll and Alexander (1999) compare the Canadian directorate network with that of Australia. This study is particularly useful, providing the necessary data to chart the Canadian network for the early 1990's. Third, Carroll (2001) maps out the 'spatial' distribution of interlocking in Canada. Using the location of corporate head offices as a guide, Carroll locates the changing 'geography of corporate power' in Canada following the Second World War. In each of these works, and especially useful for this study, is the consideration of the extent to which board interlocks effectively integrate Canada's business community.

Carroll and Alexander (1999) have argued that the Canadian network, similar to other advanced industrialized countries, is centered around 'finance capital.' Sociologically, finance capital involves the integration of finance and industry whereby financiers enter the realm of industry and industrialists enter the realm of trade and finance. In effect, this unites these class fractions, allowing industrial capitalists access to capital and solidifying the ability of financial institutions to secure their loans, investments, and so forth. Thus, there is a symbiotic relationship between large industry and high finance. Theories of finance capital suggest that interlocking will be structured "around a densely connected, domestically owned financial-industrial axis with banks and financial institutions at its centre" (Carroll, 1999: 348). This entails a large number of strong ties between financial and industrial corporations.

As will be shown, financial institutions, and banks in particular, are extremely important to the interlocking network. Their central position creates an effective communication system among financials, through their direct links to the same major

industrial corporations, and between different non-financial industries and sectors. In turn, this communication system advances the development of an informal business consensus and class-wide rationality among members of the elite. As a result of their special position within the network, Mintz and Schwartz (1985) argue that banks are more concerned with the overall functioning of business than are other corporations, and, as such, are well suited to mediate conflicts within the business world. Furthermore, the corporate officials who sit on these financial boards play an important role in unifying the elite, and represent some of the most powerful decision-makers in the country. It is to a more specific explanation of the three works noted above that the discussion will now turn.

The Canadian Network in Comparative Perspective: Data from the 1980's

Michael Ornstein's (1989) comparative analysis of interlocking directorate networks emerged out of an "urgent need for comparative studies of the social organizations of capital," (p.152) and is built upon a previous study by Stokman, Ziegler, and Scott (1985) which looked at the networks in Austria, Belgium, Britain, Finland, France, Germany, Italy, the Netherlands, Switzerland, and the United States. Data from these 10 countries provided the context for Ornstein's analysis of the Canadian scene. Following the model advanced by Stokman et al, his study includes the 'Top 250' Canadian corporations; the 50 largest financial corporations (ranked by assets), and the 200 largest non-financials (ranked by sales).

Ornstein found dense networks of both primary and secondary interlocks in Canada. Specifically, thirty percent of the interlocks between Canadian corporations involved primary ties, 27 percent were induced by those primary ties, and 43 percent did

not involve a primary tie and were carried by outside directors. The high percentage of interlocks in the last category is particularly meaningful, since these are the ties that are most likely to serve the general political interests of the elite.

Ornstein also looked at the density of ties between different sectors of the economy. Table 2.1 presents the mean number of ties with all other corporations for different ownership categories. As we can see, with means of 29.1 and 30.3 ties, the widely-held Canadian non-financial corporations and the Canadian financial corporations, respectively, have more ties with other corporations than any other group.

Table 2.1
Mean Number of Ties with Other Corporations by Ownership Categories, 1981

Ownership Categories	Mean Number of Ties with Other Corporations
<i>Non-Financial Canadian Corporations</i>	
Widely-held	29.1
Family-Control	13.8
Federal Crown	12.5
Provincial Crown	6.5
<i>Non-Family Control</i>	15.3
<i>Non-Financial Foreign</i>	
American	6.4
British	5.9
Other	12.1
<i>Financial Sector</i>	
Canadian	30.3
Foreign	4.3
<i>Property-Development</i>	11.3

Adapted from: Michael Ornstein (1989), The Social Organization of the Canadian Capitalist Class in Comparative Perspective. *Canadian Review of Sociology and Anthropology*, 26(1): p.164

The five most heavily interlocked non-financial corporations averaged 54.6 interlocks.

The five 'big banks' carry the financial network, with an average of 85 ties, while the other financial corporations averaged 21.4. Not surprisingly, the density of ties is also

greatest *between* Canada's widely-held non-financial companies and its financial corporations. It is also worth noting that there are very dense ties within both sectors. These findings suggest that it is not the Canadian financial corporations alone which dominate the network, but a mixture of Canadian non-financial and financial corporations. Least integrated into the network are the provincial Crown corporations and different categories of foreign capital (Table 2.1). Overall, when interlocking directorates are analyzed at the level of the corporation and their institutionalized relationships mapped, the Canadian network falls somewhere in the middle of the range of variation among the other nations in terms of network integration.

When analyzing the distribution of individual positions, it appears that the Canadian network stands out more prominently. Ornstein looked at differences in what he calls the *autonomy* of the corporate network; that is, the extent to which the network can be said to represent more than the interests of individual corporations. Some of Ornstein's measures of network autonomy are represented in Table 2.2. First, the ratio of positions to directors is 1.39, which is higher than the ratio found in all of the other nations surveyed. Canada, along with France and Switzerland, also ranks highest in terms of the proportion of multiple directors relative to single directors, and third in the total number of multiple directors, with 464.

Two other related measures of network autonomy are included in Ornstein's analysis. 'Big linkers' are directors that occupy four or more board positions, whereas 'network specialists' are big linkers that are *not* executives in any of the corporations. Because the network specialists have no primary affiliation with any corporation in the network, they play a special role in unifying the system. As shown in table 2.2, Canada's

118 big linkers are the most of any country in the sample (accounting for 69% of all Canadian interlocks), and its 40 network specialists also rank among the highest. As these data illustrate, the composition of the Canadian network in the 1980's is among the most autonomous of the sample. It is also among the most centralized and dense of the European and North American economies. Ornstein concludes the following: "In Canada, there is a very cohesive network, which is tied together by a relatively small number of individuals with many board positions...In terms of the more general questions about the organization of the Canadian network, the analysis lends support to the models of capitalist class relations which emphasize unity" (p.169-170).

The Canadian Network and Elite Integration in the 1990's

Carroll and Alexander (1999) compared the social organization of capital and corporate elite networks in Canada and Australia in 1992. They examined the top 250 corporations (200 non-financials ranked by sales, and 50 financials ranked by assets) in each country. Although the study is comparative, it is possible, and for our purposes fruitful, to extract out and focus on the Canadian network in isolation. One of the issues of concern to the authors, which has relevance here, is the extent to which interlocks integrate the directors of leading corporations into a dominant stratum or inner circle, thereby providing an organizational basis for elite unity and class consciousness. This will be considered at the end of the section, following an effort to describe the Canadian network of interlocking directorates in the 1990's.

Table 2.3 compares mean board sizes and the mean degree of interlocked boards for different subgroups of corporations in Canada. The first panel compares industries. It

Table 2.2
Distributions of Directors and Positions, 1981

	Canada	Austria	Belgium	Britain	Finland	France	Germany	Italy	Netherlands	Switzerland	USA
No. of Positions	3205	2939	3000	3091	4178	2625	4727	2358	2950	3681	3976
No. of Directors	2298	2430	2203	2682	3110	1931	3943	1737	2321	2999	3108
Ratio of Positions to Directors	1.39	1.21	1.36	1.15	1.34	1.36	1.20	1.36	1.27	1.23	1.28
No. of Multiple Directors (MD)	464	271	373	282	564	378	420	322	357	405	564
Proportion of MD	0.20	0.11	0.17	0.11	0.18	0.20	0.11	0.19	0.15	0.20	0.18
No. of Big Linkers	118	50	92	27	110	80	82	65	68	56	69
No. of Network Specialists	40	11	28	4	41	42	32	16	34	31	39
No. of Positions held by MD (%)	53	65	57	69	61	60	60	63	64	67	64
	22	17	19	21	20	20	19	17	17	19	24
	13	9	9	6	6	9	9	7	8	6	8
	7	4	6	3	6	5	6	5	6	2	3
	5	4	8	1	7	6	6	8	5	6	1
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Adapted from: Michael Ornstein (1989), The Social Organization of the Canadian Capitalist Class in Comparative Perspective. *Canadian Review of Sociology and Anthropology*, 26(1): p.168

shows that the boards of financial companies are significantly larger than those of other sectors. This is consistent with their status as important meeting places for members of the elite. They also experience a greater degree of interlocking – the large boards of financial institutions interlock directly with an average of 15.5 other firms. The second panel compares domestic and foreign corporations. As is evident here, the boards of domestic firms tend to be larger than their foreign counterparts and, on average, they interlock with a far greater number of other companies. The third panel compares types of strategic control. Carroll and Alexander point out that in contrast to ‘public’ firms, wholly owned or ‘private’ companies typically have small boards comprised of insiders

Table 2.3
Canadian Top 250:
Composition, Mean Board Size and Mean Degree of Interlocked Boards, 1992

	% of Top 250	Mean Board Size	Mean Degree of Interlocked Boards*
Resources	11	11.7	13.4
Manufacturing	31	11.3	11.0
Other Industrial	16	12.3	11.3
Financial	20	20.1	15.5
Investment	3	14.0	11.1
Trade	16	10.1	5.0
Domestically controlled	70	15.0	13.4
Foreign control in N. America	19	8.8	6.7
Foreign control in Europe	6	10.3	7.6
Foreign control in Asia-Pacific	4	7.6	1.8
Wholly owned	36	9.2	4.7
Majority-controlled	29	14.4	12.7
Minority-controlled	16	16.4	15.2
No identified controlling interest	19	16.4	18.3
Total Sample	100	13.2	11.3

* Degree of interlocked boards refers to the number of other corporate boards with which a firm interlocked.

Adapted from: William Carroll and Malcolm Alexander (1999), Finance Capital and Capitalist Class Integration in the 1990's: Networks of Interlocking Directorships in Canada and Australia. *Canadian Review of Sociology and Anthropology* 36(3): p.339

(or those who already ‘belong’ to the company). The data suggest that companies with a greater dispersal of shares and/or a more widely-held controlling interest tend to have larger boards and interlock with a greater number of companies. These ‘extraverted’ boards often include a fair number of outside directors, who may also be involved in other elite forums such as policy organizations or think tanks. They are particularly important for the mobilization of class cohesion.

Next, the authors analyze the different kinds of ties that are present within each country’s network, and it is here where a comparison will be useful. Table 2.4 presents the density of interlocking for the two samples, defined as the proportion of all pairs of firms that are actually interlocked through a particular type of tie. Corporations in Canada are three times more likely to be interlocked than corporations in Australia. This difference becomes even larger when secondary ties are considered in isolation, as these are far more common in Canada. As Carroll and Alexander highlight, “[i]n Canada, much of the network is carried by *outside directors*; by the same token, *the Australian network is less integrated in part because of a lack of outside directors who sit on multiple boards*” (p.341, original emphasis). The large number of secondary ties and the

Table 2.4
Density of Interlocking for Four Types of Ties, 1992

Type of Interlock	Australia	Canada
All Ties	0.015	0.045
Primary Ties	0.008	0.014
Induced Ties	0.003	0.012
Secondary Ties	0.006	0.026

Source: William Carroll and Malcolm Alexander (1999), *Finance Capital and Capitalist Class Integration in the 1990’s: Networks of Interlocking Directorships in Canada and Australia*. *Canadian Review of Sociology and Anthropology* 36(3): p.341

abundance of outside directors in Canada suggest that its interlocking network is far better able to act as a mechanism of elite unity than its Australian counterpart.

Another way to analyze elite integration is to look at the core of the interlocking network. Carroll and Alexander define the '4-core' as the largest set of companies, each of which has strong ties with four or more members of the same set (p.343). In Canada, the 4-core includes 75 firms, very few of which are foreign controlled. More specifically, foreign companies make up only 12% of the 4-core, and such limited penetration does not significantly fragment the national network.⁴ Also of interest is that fact that Canadian controlled, publicly listed industrials are heavily interlocked within the group of 75, as are Canadian publicly listed financial institutions. Together, these two types of corporations make up 50 of the 75 corporations in the 4-core.

The pattern of ties around the network's core is a reflection of the overall density of interlocks between different types of corporations. Domestic public financial institutions are very densely tied to each other in Canada. They are also densely tied to domestic public industrial corporations, as seen in the network's core, and to public investment companies. Carroll and Alexander summarize this situation as follows; "in Canada, the financial sector has a high level of internal integration and connectedness that, combined with dense interlocking between the financial sector and indigenous industrial corporations, makes it the strategic core of the network" (p.349). These findings are consistent with Ornstein's (1989) analysis of the Canadian network in the 1980's, and with the theories of finance capital mentioned above.

⁴ Carroll and Alexander make clear that the majority of firms which are isolated or excluded from the Canadian network as a whole are not controlled by domestic capitalists. The largest category of these is American-controlled industrial corporations.

Not only is the network centered around finance capital, it is also highly concentrated around a relatively small number of individuals. The authors found 122 big linkers (directors who occupy four or more board positions) in the Canadian Top 250. As a group, the 122 made up 22% of all interlockers in Canada and carried 68% of all interlocks. The density of corporate networks is heavily influenced by the number of big linkers, and Canada's 122 stands in stark contrast to the 34 identified in Australia. According to Carroll and Alexander, "[b]ig linkers play a pivotal social role in class integration, cutting across particular capitalist interests and weaving the leading corporations into a socially integrated block" (p.348). The abundance of weak ties, often provided by outside directors serving on multiple boards, provides a further basis for class coordination in Canada. Both Ornstein's (1989) and Carroll and Alexander's (1999) analysis strongly suggest that interlocking directorates are valuable mechanisms of elite unity.

The 'Geography' of Corporate Power: Spatialized Interlocking

The unity and integration of Canada's economic elite is further illuminated by charting what Carroll (2001) calls the 'geography of corporate power.' In this recent study, Carroll maps the changing network of large Canadian corporations following the Second World War, using the location of corporate head offices as an indicator of the corporate power structure. A head office can be considered the decision centre of a company. Following this, cities with a concentration of head offices act as management centres and their locations bear directly on the structure of elite networks. Carroll comments that "[t]he tendency in advanced capitalism for major corporate head offices to gravitate to the largest metropolitan areas has meant that corporate elites tend to be highly

clustered within a relative few urban zones – the command centres of the world system and of national economies within it” (p.119-120). In this geographical analysis, Canada’s ‘spatialized’ corporate network is compared at three points in time (1946, 1976, and 1996) and includes the “Top 103” corporations in each year.

Carroll looked at the shifting location of corporate head offices and calculated the relative volume of interlocking within and between major cities. In 1946, the central position of Montreal was dramatic – it had the most corporate head offices of any city in Canada. Of the 824 interlocks in the entire Canadian network at that time, 35 percent knitted the Montreal-based companies into a dense network core. Toronto had ‘secondary status,’ meaning it was second in the total number of head offices. While 12.7 percent of all interlocks linked Toronto-based companies together, the same proportion linked Toronto firms with those from Montreal. Very few interlocks connected corporations based outside of these two cities. As Carroll (2001: 129) points out, “most of the interlocking extending ‘beyond’ the two metropoli drew outlying firms *into* the Montreal-Toronto bloc.” By 1976, the total volume of interlocking had grown, and Toronto had replaced Montreal as the core city. The majority of interlocks linked Toronto-based companies to each other, as well as to Montreal-based firms. The volume of interlocking within the Toronto-Montreal bloc represented 64 percent of the total network, up slightly from 60 percent three decades earlier. A few dozen ties now linked this eastern core of companies to those based in Winnipeg, Calgary, and Vancouver, and a small number of ties had been created among companies in the far west.

In the period from 1976 to 1996, the spatial network of Canadian directorates underwent significant change. Most dramatically, there was a major redistribution of

head offices westward, especially to Calgary and Vancouver. In 1946, the ratio of corporations based in far western cities to corporations based in the Toronto/Montreal core was .078; it increased to .181 in 1976; and to .475 in 1996. This rise of the west as a centre for top corporate management may be described as an 'industrial phenomenon.' According to Carroll (2001: 126), "high rates of accumulation and massive concentration of capital in the oil and gas, forestry and mining sectors of Alberta and British Columbia meant a shifting geography of corporate power in the industrial but not the financial sector."

By 1996, a major proliferation of ties had emerged among western firms, and interlocking within the Toronto-Montreal bloc had decreased. The bloc now represented slightly less than half of all interlocks in the national network, representing a major decline from 1976. Although a small regional network did emerge in the west, the dominant tendency was for western companies to interlock with firms in the east. In Carroll's words, "[t]he hub of the sparser 1996 network remained centred around the Toronto-Montreal axis, but major spokes had been extended westward to new sites of corporate command" (p.130).

The Contemporary East-West Network

Of the Top 103 corporations in 1996, 181 interlocking directorships linked Montreal or Toronto-based corporations with those based in the far west. This involved 42 eastern and 27 western firms, comprising over two thirds of the Top 103. Twelve of the eastern firms were financial companies, and they participated in 45 percent of the east-west interlocks. All but one of the 27 western firms were industrial corporations. A select few of these industrials – specifically energy corporations based in Calgary –

accounted for one third of the entire east-west volume of interlocking. More specifically, each of the five Calgary-based industrial corporations were interlocked directly with three of the five large Canadian banks and with at least one other financial institution in the network. The Bank of Nova Scotia, for example, was interlocked with Nova, TransAlberta, TransCanada PipeLines, and PetroCanada. In contrast, Carroll found no evidence of a cohesive western network detached from the east; the rise of the west should be considered as an expansion of the cohesive national network, furthering the spatial integration of the Canadian economic elite.

Table 2.5 presents the network of individual corporate directors that comprise the current east-west network. Carroll draws attention to the second largest regionally

Table 2.5
Inner-Circle Members Cross-Classified by Region and Economic Sector, 1996

Sector(s) in which Directors Participate					
Region(s) in which Directors Participate		Industrial Firms Only	Financial Institutions Only	Non-Financial Firms & Financial Institutions	Total
<i>Toronto-Montreal only</i>	N	35	1	60	96
	Mean	1.83	1.00	1.92	1.88
<i>East-West (Tor/ Mont to Cal/Ed/Van)</i>	N	13	0	60	73
	Mean	3.77		5.78	5.42
<i>Far West Only</i>	N	16	0	0	16
	Mean	1.31			1.31
<i>Other</i>	N	6	8	38	52
	Mean	1.83	1.00	2.71	2.35
<i>Total</i>	N	70	9	158	237
	Mean	2.07	1.00	3.58	3.03

N refers to the number of directors with directorships in the sectors and regions indicated; Mean refers to the average number of corporate interlocks carried by directors of a given type.

Source: William Carroll (2001), Westward Ho? The Shifting Geography of Corporate Power in Canada. *Journal of Canadian Studies*, 36(4): p.132

defined category – the 73 directors of corporations based in both eastern and western cities. They are the most well connected directors in the network, carrying an average of 5.42 corporate ties. Sixty members of this group are east-west directors who sit on the boards of both major industry and high finance. These ‘finance capitalists’ are the most important players in the spatialized network. They carry nearly half of the entire 1996 network, even though they make up only a quarter of inner-circle members. This is in stark contrast to the 96 directors whose companies are based in the Toronto/Montreal zone, who carry only 1.88 interlocks on average. Carroll concludes his study by considering the implications that the spatial network has for elite integration;

Across half a century, even as its contours were reshaped by the westward shift of command centres...the Canadian corporate elite had largely maintained its cohesiveness...[it is] well-integrated across the main urban centres of economic power, across the financial and industrial forms of capital, and across the anglo-French ethnic difference. Viewed in light of related research on the elite’s reach into civil society, this pattern of spatial, sectoral, and ethnic integration presented a structural basis for strong business leadership in both economic and extra-economic fields. Whether such corporate hegemony is ultimately compatible with a democratic way of life is altogether another matter (p.137).

A National Elite Network?

Each of the three studies presented above alludes to the existence of a dense and well-integrated network of interlocking directorates in Canada, organized around *nationally-based* finance capital. Ornstein (1989) found that foreign controlled corporations were much more likely than domestic firms to be isolated from the network, which was dominated by the largest Canadian corporations. In their research, Carroll and Alexander (1999) also demonstrate that interlocking is densest among domestic firms. Foreign controlled companies had only marginal interlocking status and made up the majority of isolated firms. Lastly, Carroll’s (2001) spatial analysis revealed that only one

of the network's 26 most central corporations – General Motors Canada – was foreign controlled in 1996. These studies all suggest that, while the penetration of foreign capital has the potential to fragment national corporate networks, it has yet to do so in Canada.

However, dramatic changes in the international economy have led to other sources of fragmentation that could potentially disrupt national networks. In the past two decades, the globalization of finance and industry has begun to erode the structural integration of national economies, as well as lessen the density of linkages within the domestic elite. Therefore, it is plausible that the global expansion of transnational corporations has disarticulated the financial-industrial axis of the interlocking directorate network. These issues will be discussed in the concluding chapter.

The next chapter will examine concentrated economic ownership – a second mechanism of elite unity. Included in the chapter are sections on corporate mergers and acquisitions, diversification patterns, and intercorporate ownership, all of which facilitate the likelihood of class-wide organization among Canada's economic elite. This will be followed by a detailed analysis of the Canadian mass media in chapter four.

Chapter Three: Concentrated Economic Ownership

The concentration of capital has been a topic of much interest and concern in recent decades, particularly some of the high-profile 'mega-mergers' involving huge corporations. One widely publicized example is the merger between America Online and Time Warner which took place in January of 2001 and had a transaction value of \$164.7 billion (Gaughan, 2002: 4). But mergers are only the most visible symptom of a much broader phenomenon that joins corporations into far-reaching networks of economic and political cooperation. Increasing levels of concentration means that there are fewer conflicting interests in the domestic market as previously competing financial and industrial interests become socially and economically intertwined. Vast blocks of economic resources are brought under the control of fewer and fewer individuals, expanding economic cooperation and concentrating corporate power. The result is that a relatively few large enterprises have come to control a dominant (and ever-expanding) proportion of all economic activity.

Concentrated ownership has obvious implications for our understanding of corporate networks and elite unity. At the most basic level, fewer economic actors greatly enhance the possibilities for class-wide organization and cohesive political action. Because corporate ownership is largely confined to a small and increasingly entangled circle, Mills (1956: 121) argued that "the executives and owners who are in and of and for this propertied class cannot merely push the narrow interests of each property; their interests become engaged by the whole corporate class." Those in charge of these corporate empires are often mutually acquainted and tend to have outlooks that extend beyond the well being of their own companies. They wield an extraordinary level of

power and influence within Canada's economic system, especially those with the abilities and necessary connections to reconcile competing interests. The continual concentration of capital is furthering the unity of elite networks, in Canada and around the globe.

This chapter has three sections, each of which explains an aspect of corporate concentration. The first will look at corporate mergers and acquisitions; the second will focus on diversification; and the third centres around intercorporate ownership and control. Each of these three sections focuses specifically on Canada and includes recent Canadian data.

Mergers and Acquisitions

One of the ways that companies grow and expand their operations is by combining with other companies through mergers and acquisitions. When two companies merge, one company may be absorbed by the other and lose its 'independence,' or an entirely new company may be formed by the consolidation of the two firms. Acquisitions occur when one company buys the majority of the voting stock of another firm and then runs the acquired company as a subsidiary. Veltmeyer (1987: 27-45) identifies three kinds of corporate integration based on mergers and acquisitions that lead to an increase in economic concentration. The first is horizontal integration, which is the consolidation of firms that operate in the same industry. This is the most common way to increase concentration and often involves a large firm buying out its smaller competitors. If this process occurs regularly it can lead to the formation of a monopoly, meaning the exclusive control of a product or service in a given industry.

A second type of integration is vertical – the linking of firms that operate at different stages of product development. This strategy brings together discrete elements

of the production and distribution processes within one single operating structure. Thus, a vertically integrated company is one whose production activities include some or all of the steps ranging from the attainment of raw materials, to the sale and/or servicing of the finished product. For example, a car manufacturer may acquire the mining companies that produce some of the necessary materials for automobile production, as well as the transportation companies and retail outlets at the distribution end. This can afford the corporation a titanic boost in its power and profitability. Ben Bagdikian (2000: xvii) argues that vertical integration used to be looked upon negatively by governments, as it was widely recognized that "corporations which have control of a total process, from raw materials to fabrication to sales, also have few motives for genuine innovation and the power to seize out anyone else who tries to compete. This situation distorts the economy with monopolistic control over prices." Today, Bagdikian says that governments have become sympathetic to dominant vertical corporations which have merged into incessantly larger 'total systems.'

A third kind of integration is the conglomerate merger, which links companies in different fields of production. In this type of merger, the firms involved have no intrinsic relationship in their activities, either horizontally or vertically. Veltmeyer (1987:40) notes that a 'spectacular' example of a conglomerate merger was the Thomson Corporation's (which already controlled half of Canada's newspaper market and had considerable oil and gas interests) takeover of The Bay in the 1980's. At the time, The Bay was Canada's largest retail merchandising chain, and had recently purchased 50 percent of Simpsons-Sears, Canada's second largest retailer. Since the incursion of transnational corporations in the 1950's, conglomerate mergers have become an increasingly popular form of

augmented concentration, although their popularity appears to be waning in recent years. The Top 10 Canadian conglomerates in 2002, ranked by revenue, are presented in table 3.1. The top 3 alone— George Weston Ltd., Onex Corporation, and Power Corporation of Canada – received over \$66 billion in revenues in 2002, and presided over approximately \$105 billion in assets.

Table 3.1
Top Ten Canadian Conglomerates, 2001

	FP 500 Rank	2001 Revenues \$'000s	2001 Assets \$'000s	2001 Profits \$'000s
George Weston Ltd.	4	24,661,000	16,227,000	582,000
Onex Corp.	5	23,803,000	20,870,000	798,000
Power Corp. of Canada	14	18,360,000	68,730,000	618,000
The Jim Patterson Group	53	5,200,000	3,100,000	n.a.
ATCO Ltd.	69	3,754,300	n.a.	124,400
Siemens Canada Ltd.	80	3,300,000	n.a.	n.a.
James Richardson and Sons, Ltd.	136	1,812,015	1,018,373	58,342
Bayer Inc.	167	1,560,259	1,017,546	n.a.
Brascan Corp.	195	1,229,000	21,467,000	311,000
MDC Corp. Inc.	209	1,113,272	918,315	139,360

Source: Financial Post 500 (2002), published annually by National Post Business

It is important to acknowledge that the three kinds of integration discussed above are not discreet categories. Today's complex corporate giants are often mixtures of all three forms of consolidation and the varieties of combination are endless. Nevertheless, in whatever form it takes, the continual merging of capital serves to "further unify an already small and cohesive group, reducing dissention because interests and concerns become more congruent. Political organization and mobilization are made much easier ... capital can more readily speak with 'one voice'" (Olsen, 1991: 116).

Corporate concentration through mergers and acquisitions has been increasing in Canada for many decades. Using an approach similar to Porter's (1965), Clement (1986:

125-126) found that the 183 dominant corporations identified by Porter in the 1950's had been melded down to a smaller number of dominant companies by the early 1970's. The key reason for this was augmented concentration, as 41 of the dominant companies were reduced to 17 through mergers and acquisitions. Concentration continued to increase in the late 1970's and into the 1980's. Newman (1981) shows that the number of what he calls 'major and significant' corporate mergers rose steadily from 1975-1981. Veltmeyer (1987: 23) found that the top 500 Canadian firms (representing about one-eighth of one percent of all companies) accounted for more than one-half of total sales, over two-thirds of assets and profits, and almost three-quarters of equity in 1983. Krause and Lothian (1989: 3.27) report that between 1977 and 1986, "[a]s measured by the shares of corporate sales, assets, and profits, concentration generally increased for the overwhelming majority of measures tested."

Remarkably, the degree of concentration and monopoly permitted under Canadian laws during this period even surprised the editors of the New York Times. In a 1980 article called 'Monopoly by Oligarchy?' the Times reports the following,

Canada's corporate concentration grows by the day. Economic power is flowing to fewer and fewer individuals. And because of the weakness of Canada's antimonopoly laws and the lack of strong public sentiment against bigness in business, the Anti-Combines branch of the Department of Consumer and Corporate Affairs is virtually powerless to do anything (New York Times, March 1980: cited in Veltmeyer, 1987: 42).

These developments hastened in the years that followed. In 1985, merger and acquisition activity skyrocketed and remained exceptionally high until the end of the decade (Green and McNaughton, 2003: 19). This jump was likely related to the relaxed ownership restrictions and deregulation of the Canadian economy in the 1980's (which continued in the 1990's). Since 1984, for example, banks have been permitted to increase their control

of investment dealers from zero to 70 percent, and of trust companies from 36 to 69 percent.

Table 3.2
Mergers and Acquisitions in Dollar Value (\$ Billions)

Year	Canada Figures
1990	25.3
1991	13.7
1992	13.1
1993	18.1
1994	26.0
1995	36.1
1996	49.9
1997	63.4
1998	94.6
1999	97.5
2000	230.2

Source: Patrick A. Gaughan (2002), *Mergers, Acquisitions, and Corporate Restructurings* (3rd Ed.): p.54

The economic depression in the early 1990's saw many companies get 'lean and mean,' and, consequently, the number of merger and acquisitions declined. But this reduction was short lived, as just a few years later the number of deals was again on the rise. Table 3.2 presents the dollar value of merges and acquisitions in Canada for each year of the 1990's. It illustrates that the rate of transactions increased steadily throughout the decade, but more than doubled in the year 2000. This latest surge, which began in the late 1990's, echoed developments in many other countries as transactions accelerated around the globe in both volume and value (Gaughan, 2002: 53-54). These trends show little sign of letting up, suggesting that concentrated economic ownership via mergers and acquisitions will provide a solid foundation for elite cohesion in times ahead.

Diversification

Accompanying concentration through mergers and acquisitions has been diversification. This is a process whereby many large firms become economically integrated with a wider variety of related and unrelated products and industries. Companies diversify by establishing or acquiring production units that engage in different industrial activities – either into areas closely related to the company's main line of business or into new unrelated areas. Thus, diversification involves a decline in the number of companies that are involved in a single line of business as they become “increasingly familiar with a range of disparate market conditions, labour forces, and business climates” (Useem, 1984: 36). A typical diversified firm is usually considered a corporate ‘conglomerate,’ with two or more non-competing, non-vertically related products. These types of enterprises have existed in Canada since the late 1800's, when the Canadian Pacific Railway Company began to expand into other industries such as transport, mining and natural resources, communications, hotels, and real estate (Minister of Supply and Services Canada, 1978: 103).

Because they must be cognizant of developments in different sectors of the economy, the top executives of heavily diversified firms are less prone to narrow, industry-specific viewpoints. In fact, one of the reasons why many companies choose to diversify is as a means of ‘managing risk.’ In other words, a firm that expands the breadth of its industrial activities will be less vulnerable to rapid changes in any single market. Therefore, we can see that diversification links the fate of one company to the fate of many others, cutting across different industries and economic sectors. This process serves

to structurally integrate the interests of the economic elite as a whole, and facilitates a class-wide perspective among corporate executives.

There are few empirical studies of diversification, largely because of the difficulties inherent in obtaining comprehensive data on the operations of firms across industries. Using 1995 data, Green and McNaughton (2003: 9) discovered that the most heavily diversified companies in Canada were financial intermediaries, insurance companies, and business financing firms. They argue that the most 'extreme' example of diversification is represented by the Canadian Depository for Securities Ltd., which is privately held by many of Canada's major banks, trust companies, and brokerage houses. Strikingly, it had established 173 ownership ties in 30 different industry groups by 1995.

Table 3.3
Top Ten Diversified Financials, 2001

	2001 Revenues \$'000s	2001 Assets \$'000s	2001 Profits \$'000s
Power Financial Corp.	17,889,000	67,069,000	879,000
Fairfax Financial Holdings Ltd.	6,125,700	35,438,700	346,000
RBC Dominion Securities Ltd.	3,854,020	59,018,170	n.a.
Caisse de dépôt et placement du Québec	3,750,000	121,808,000	3,543,000
Canada Trustco Mortgage Co.	3,551,747	40,649,359	439,876
TD Securities	3,100,000	n.a.	n.a.
Scotia Capital Inc.	2,794,000	115,000,000	686,000
Canada Mortgage and Housing Corp.	2,207,000	23,822,000	345,000
Bank of Canada	2,149,200	41,804,500	1,980,400
Ford Credit Canada Ltd.	2,085,670	13,835,104	103,820

Source: Financial Post 500 (2002), published annually by National Post Business

There are also corporations in other sectors of the economy that are heavily diversified.

In primary and manufacturing sectors, for example, a few of these include James

Richardson and Sons Ltd. with 27 ties to 12 industry groups, MacMillan Bloedel Ltd.

with 25 ties to 11 groups, and Alcan Aluminum Ltd. with 20 ties to 11 groups (Green and

McNaughton, 2003: 9). A list of the Top 10 Diversified Financial Corporations, ranked by revenues, is shown in Table 3.3.

Baldwin et al. (2000) point to the centrality of diversified corporations within the Canadian economy. One of their units of analysis is 'multi-unit firms,' which are companies whose multiple operating units span different industrial sectors. Simply possessing two or more units does not ensure that the firm is diversified, as many multi-unit firms consolidate all of their operating units within a single industry, often through vertical integration. Nevertheless, "[t]he proportion of multi-unit firms within an industry will, in part, determine its overall level of diversification. Other things being equal, the more multi-unit firms within an industry, the more diversification occurs" (Baldwin et al., 2000: 17). As presented in Table 3.4, over 13,400 companies have multiple units within their operating structures, accounting for less than one percent of all companies in Canada. Yet, despite comprising only a tiny fraction of Canadian companies, they employ one-third of the Canadian workforce and account for one-half of total business revenue. Consistent with these findings, the authors also discovered that diversification occurs more frequently in industries with higher levels of corporate concentration (p.30), further strengthening the position of Canada's largest firms and integrating their fortunes.

Table 3.4
Characteristics of Multi-Unit Firms, Third Quarter, 1998

	Multi-Unit Firms	All Firms	% Accounted for by Multi-Unit Firms
Number of Businesses	13,421	1,701,821	0.79
Revenue (\$ billions)	1,254	2,265	55.4
Employment (millions)	4.96	14.53	34.1

Source: Baldwin et al. (2000), *Patterns of Corporate Diversification in Canada: An Empirical Analysis*: p.17

Intercorporate Ownership and Control

The networks of relations between companies are also becoming more inclusive through the rise in intercorporate ownership. This refers to a situation where many of the top stockholders in most large companies are other corporations. Useem (1982: 207) asserts that the intercorporate network of ownership is diffuse; that is, most of the ownership links are broadly spread and not usually formed to link specific pairs or cliques of firms. In other words, most shareholding of this kind is the result of investment strategies that treat other large companies as relatively equivalent. Similar to the diffuse network of interlocking directorates discussed in the last section, the diffuse structure of intercorporate ownership suggests that it too can serve as an effective mechanism of elite unity.

As in the case of diversification, one obvious and important result of the spread of intercorporate ownership is to connect the fate of many different companies. The decisions taken by one large corporation become increasingly meaningful to others. The same is true of political challenges facing particular firms – they become challenges to many. Therefore, it is not surprising that elites who are deeply entangled in these ownership networks develop a set of attitudes and commitments that are broad in focus and class-based. This outlook emerges quite naturally, spawned and maintained through the merging of corporate interests.

The structure and concentration of intercorporate ownership networks cannot be fully grasped without employing the concept of *control*. Another means of concentrating economic power is for an individual, a family, or a corporation to acquire enough equity in a set of companies so as to control them without complete ownership. All that is

necessary for full legal control is to own the majority of another company's stock, and a minority will sometimes be sufficient for *effective* control if the stock is widely held. Control can also be exercised through the ownership of the majority of another companies voting shares. As in the case of stock ownership, however, a minority of voting shares will often be adequate, sometimes as low as 5 percent, if the shares are widely held or if some of their owners are known to be inactive (Veltmeyer, 1987: 53).

In this instance, control does not usually refer to actual influence on the everyday affairs of another company, but rather to the power to determine the broad policies guiding that firm's behaviour. As Veltmeyer (1987: 47) explains, "[b]y tracing links of common ownership and control among [dominant] corporations, it is possible to reduce the entire economy to a much smaller group of corporate complexes – groupings of companies that are independently registered but effectively controlled by one source." These groups of company's are known as 'enterprise groups' – sets of firms unified under a single controlling interest which are able to function as one integrated unit of capital. The use and refinement of this concept has created a much clearer picture of corporate linkages and helps to more accurately describe the staggering degree of corporate concentration in Canada. For example, Veltmeyer (1987: 47-49) points to the vast empires built by Conrad Black and Paul Desmarais in the mid-1980's. Together, these two groups pulled a total of 350 corporations under their control and, through their subsidiaries, another 1500 companies with combined assets of \$60 billion.¹

¹ Black and Desmarais were not the only ones to employ this strategy. Carroll and Lewis (1991: 493) note a significant rise in the prominence of family-based enterprise groups within the Canadian economic system from 1976-1986. Today, these empires account for much of the economic activity in Canada.

Enterprise groups can best be conceptualized as 'control pyramids' consisting of many ownership layers. A pyramid ownership structure allows a wealthy family or corporation to control assets worth vastly more than their own wealth by holding controlling interests in particular companies, which hold controlling interests in other companies, and so on down the pyramid. Morck et al (2000: 323) point out that a control pyramid ten layers high, with 51 percent ownership at every level, magnifies a billion dollars of wealth into control of over \$840 billion. As this suggests, pyramids allow corporations to compound their control far beyond their immediate assets and income. They also create incentives for controlling families or corporations to engage in political lobbying because they enable the controlling interest to use the resources of firms low in their pyramids, whose profitability is relatively unimportant to them. Using the Statistics Canada Directory of Inter-Corporate Ownership database, Morck et al. (2000: 329), investigated the group of firms controlled by Canadian billionaires Edward and Peter Bronfman in 1998. They summarize the pyramid as follows:

They own Broncorp Inc., which controls HIL Corporation with a 19.6 percent equity stake. HIL owns 97 percent of Edper Resources, which owns 60 percent of Brascan holdings, which owns 5.1 percent of Brascan, which owns 49.9 percent of Braspower holdings, which owns 49.3 percent of Great Lakes Power Inc., which owns 100 percent of First Toronto Investments, which owns 25 percent of Trilon Holdings, which owns 64.5 percent of Trilon Financial, which owns of 41.4 percent of Gentra, which owns 31.9 percent of Imperial Windsor Group.

Incredibly, the Bronfman's actual equity stake in the Imperial Windsor Group works out to 0.03 percent, but they have *full control* of it, and of all other firms in the pyramid.

Another form of ownership that clearly emphasizes control is a holding company. Rather than a merger or an acquisition, the acquiring company may choose to purchase only a portion of another company's stock – enough to establish a controlling interest in

the other firm – and act as a holding company. This is often accomplished through the purchase of voting shares. In his research, Veltmeyer (1987: 52) demonstrates a trend away from mergers and toward holding companies as the preferred form of concentration. This practice allows one company to control another without putting up much money. When minority voting control is combined with pyramiding, a voting control pyramid is created which, for a relatively small investment, can lead to the control of billions of dollars worth of assets. A famous example of this method of control is provided, once again, by Conrad Black and his associates. By 1983, with an investment of only a few million dollars, Black's team had acquired voting control of companies worth between \$6 and \$7 billion (Veltmeyer, 1987: 53). Their success appeared to have caught the eye of other executives shortly thereafter, as there was a 65% increase in holding companies between 1986 and 1991 (Green and McNaughton, 2003: 14).

The concentration of economic ownership in Canada is crucial for the cohesion and integration of the Canadian economic elite. However, the concentration of capital into a relatively small number of colossal institutions is not only occurring within countries; this process is also underway at the global level among corporations that are not tied to any one nation. Significantly, some of these transnational corporations (TNC's) have grown so large that their gross domestic product/sales rival or exceed those of nation-states. The transnational concentration of capital has implications similar, and perhaps more far-reaching, to capital concentration at the national level, specifically in terms of the transnational integration and political unity of global elite networks. These matters will be discussed in greater detail in the concluding chapter.

In the next chapter, we will look at corporate concentration within the mass media and other sources of elite-media ties such as interlocking directorates. It is not surprising that the concentration of media ownership has increased dramatically over the past few decades, as this parallels developments in other sectors of the economy. However, the media warrants special concern as it represents a vehicle through which the economic elite can control information, indoctrinate the public, and propagate the ideas and values that represent an elite consensus.

Chapter 4: Canada's Mass Media – A Case Study in Concentrated Ownership

The purpose of the previous chapter was to make clear that the concentrated ownership of capital facilitates elite unity. While it is significant that a group of highly integrated and class conscious individuals control the large industrial corporations, the big banks, and so on, it especially noteworthy that they are in charge of the major systems of public information. Indeed, the Canadian mass media represent a striking example of concentrated ownership, one which has particularly devastating effects on democracy. The media's chief significance in this discussion, though, stems from it being the primary means of expressing the ideas, values, and policy initiatives of Canada's economic elite. This unified group generates a consensus – largely through the policy formation network discussed in Part Three – and media institutions distribute this consensus to the public. As we will see, media institutions function as one of corporate Canada's most effective weapons of class domination, and represent an essential component in the analysis of elite networks.

The Structure and Function of the Corporate Media

The major mass media organizations in Canada are in many ways akin to other business organizations. At the most basic level, they are lucrative corporate enterprises owned and directed by members of the economic elite; not just business but *big* business. Media corporations are also extensively connected and integrated with other large corporations. And, like other businesses, the media has a product which it sells to a market. The market is corporate advertisers, and the 'product' is readers and audiences (with a bias towards wealthy audiences which improves

advertising rates). Thus, the elite media are essentially large corporations 'selling' privileged audiences to other businesses. Chomsky (1989: 8) points out that, under these institutional arrangements, it should hardly come as a surprise if the picture of the world they present were to reflect the interests and perceptions of the sellers, the buyers, and the product. In fact, it would be very surprising if this were not the case.

The basic picture is virtually the same today as it was decades ago when Wallace Clement (1986) determined that members of Canada's 'media elite' tended to be part of the broader corporate community. He states that "[i]n light of the evidence that about one half of the media elite are simultaneously members of the economic elite while many others have close corporate ties, it becomes questionable whether the two spheres are separately controlled" (p.326). He also suggests that the corporate news media share an 'elective affinity' with business values and business interests in general (p.283). These commitments emerge through a set of common social interests and interactions, shared social backgrounds,¹ interlocking directorates, and, notably, through a highly integrated system of concentrated corporate ownership. In other words, through many of the same structures and processes which integrate the economic elite as a whole. Indeed, there is a final similarity between the media and the rest of corporate Canada; as in other Canadian industries, economic concentration within the media has increased dramatically over the past few decades.

¹ For example, Clement (1986) discovered that over 70 percent of his sample of 'media elites' were of upper class origin (p.330), and 46 percent attended private school (p.338). In a more recent study, Fleming (1991: 459-463) found that the majority of his sample of elite publishers and editors of major daily newspapers had attended private school and over 85 percent had attended university. Many had also obtained post-graduate and professional degrees and enjoyed elite business backgrounds.

This would suggest that the 'media elite' is growing more unified and strengthening its hold over the levers of mass communication.

In other ways, however, the mass media represents a unique area of interest. Media agencies play a crucial role in the legitimation of the capitalist economic system and in the construction, dissemination and reinforcement of ideologies. They work to gather acceptance for those policies and programs advocated by business and, just as significantly, to instil the capitalist 'ethos' – the values, commitments, and goals of the economic elite – into the general population. Numerous studies suggest that despite the official context of free expression of ideas and opinions within the media, the reality is that these institutions generally act to limit public understanding and discussion in accordance with the needs of the powerful, which includes the elites who own them. They are highly effective ideological institutions which have become even more efficient in recent decades through greater mass media concentration, as well as the improved sophistication of public relations and news management (see, for example, Herman and Chomsky, 1988; Chomsky, 1989; Winter, 1997; Hackett and Gruneau, 2000; and McChesney, 2000). These matters are clearly relevant to the unity debate, as the media is the primary means of expressing the ideas and values that represent an elite consensus. For this reason, and because of the high level of current interest in these issues, the mass media offer an excellent case study of concentrated economic ownership in Canada.

Ownership, Advertising, and Institutional Constraints

Most media corporations are controlled by owners and managers who are subject to sharp market-orientated constraints. Like other corporations, they are

primarily accountable to the dominant shareholders, and hence the 'bottom line.' It is therefore not surprising that ownership has a heavy impact on resource allocation, hiring and firing, and, to a significant extent, the content of media output. The directions in which owners and managers typically 'steer' media content are remarkably consistent and hardly surprising, given that "those who own and control the capitalist mass media are most likely to be [persons] whose ideological dispositions run from soundly conservative to utterly reactionary" (Miliband, 1969: 204).

Some of the interventions by owners are blunt and direct but most of the time they do not need to exercise immediate or absolute control. To a large extent, this is because hiring procedures tend to pre-select those individuals who already share their values and commitments. For those with a different set of values the majority of the screening is more subtle and gradually, through conditioning, they learn to conform. Successful conditioning leads to value convergence between owner and worker, reducing the possibilities for conflict and expanding 'freedom' in the workplace. In other words, workers will now be able to 'say what they like' because the owners like what they say. Herman and Chomsky (1988: 304) comment: "Those who adapt, perhaps quite honestly, will then be free to express themselves with little managerial control, and they will be able to assert, accurately, that they perceive no pressures to conform." Consequently, particular topics or stories which are critical of big business do not receive much attention in the mass media. David Radler, president and deputy chairman of Hollinger International Inc. and a close associate of Conrad Black, illustrates the potentially determining influence of ownership on news content,

I don't audit each newspaper's editorials day to day, but if it should come to a matter of principle, I am ultimately the publisher of all these papers, and if editors disagree with us, they should disagree with us when they are no longer in our employ. *The buck stops with the ownership. I am responsible for meeting the payroll; therefore, I will ultimately determine what the papers say and how they're going to be run* (cited in Winter, 1997: 86, emphasis added).

This candid admission may be chilling but it is certainly not unique. At the end of this chapter, the *direct* influence of ownership on the structure and content of the media will be elaborated on, focusing mainly on the actions of executives at CanWest Global Communications, one of the largest media empires in Canada.

Even if media owners had no political motives, or if they never influenced editorial policy, concentrated ownership itself can still highly affect the content and diversity of media output. One reason for this is that large media companies work to 'rationalize' their resources, meaning that chains may come to rely heavily on their own in-house columnists or news services. As a result, local freelance journalists or independent news services will be used much less often (Hackett and Gruneau, 2000: 62). Thus, resource rationalization occurs as a simple by-product of economic decisions made in the interests of profits, at the expense of diversity in the media. Sometimes this even involves collaboration between companies.²

Another source of influence over media content is advertisers. Most media corporations depend on advertising revenue for their financial survival. Therefore, its incentive encourages the media to treat advertisers' products and their broader

² Recently, CTV (owned by Bell Globemedia) and CanWest Global attempted to combine some of their print and television news gathering operations, arguing that this would be a more efficient use of resources (Chen and Graves, CBC News Online: July 2002). The Canadian Radio-television and Telecommunications Commission (CRTC) ruled that the two media giants must maintain separate managements for their respective print and television holdings, but left open the possibility for the companies to mix up their 'frontline forces,' such as having reporters cover stories for both print and TV outlets.

interests with the utmost of care. There is little doubt that advertisers are interested in the program content and editorial information of any medium, partly for basic ideological reasons but also because the nature of the content determines the segment of the population that is likely to be reached. Clement (1986: 295) clarifies this with a clever example; "What this means is the quite obvious point that the advertiser is indeed concerned about whether his product is sandwiched between a tribute to Lenin or Marcus Welby." When advertisers do find fault with particular stories, they can use their financial muscle to downplay or even eliminate potentially damaging news coverage. This is sometimes known as 'flak,' which is a negative response to a media statement or program. The ability to produce flak is directly related to power, and advertisers are certainly in a position of power when it comes to the media. Herman and Chomsky (1988: 26) argue that serious flak has increased in close parallel with the corporate offensive of the 1970's, when business was becoming increasingly resentful and intolerant of media criticism.

However, while business was bemoaning the irresponsible 'left-wing media' for fanning the flames of the 'excess of democracy' talked about by the Trilateral Commission (see chapter 1), it was also taking steps to further utilize this invaluable means of class domination. Today, the importance of media influence is usually taken for granted. In 2002, for example, 'media relations' made up 41 percent of the average public relations (PR) budget of Canadian corporations (Watson, 2002: 136). In fact, much of what the public consumes as 'news' actually originates from one or another PR firm. Most PR firms are owned by advertising agencies, so when you consider that the media's main source of income is advertising revenue an interesting

element is added to the mix. The companies that are producing billions of dollars in advertising are the same companies supplying 'stories' to the news media and controlling reporters' access to the companies they represent. As John Stauber (in conversation with Jensen, 2000: 23) points out, "[t]he PR industry just might be the single most powerful political institution in the world. It expropriates and exploits the democratic rights of millions on behalf of big business by fooling the public about the issues." In this respect too, the public relations industry is intimately connected to the mass media.

Again, for the most part, direct pressure by advertisers (like owners) is unnecessary. Reporters and broadcasters will usually censor themselves and not pursue topics that might embarrass these crucial sources of revenue. Hackett and Gruneau (2000: 6) argue that 'blind spots' in the media don't occur randomly, but tend to fall into patterns "related to ownership of news media, the structure of media organizations, the type of personnel they employ, the conditions under which these journalists work, the types of products they are expected to produce and, last but not least, the way in which all of us consume these products." Thus, the structure of the corporate media – and particularly the powerful influences of ownership and advertising – creates a potent set of institutional constraints which are impossible for reporters, writers, and journalists to ignore. Those who are comfortable within these boundaries (or adjust accordingly) can remain and prosper within elite media institutions. Those who are different, whose values and opinions fall outside, or who refuse to conform, are likely to be weeded out. The media are indeed free, for those who adopt the principles required. Spirited debate, criticism, and even dissent is

permitted, sometimes encouraged, as long as it remains within a system of presuppositions and assumptions which represent an elite consensus. This consensus is forged, in part, by the very structure of concentrated ownership of which the media is a part.

Media Concentration in Canada – A Brief History

The concentration of media ownership into fewer hands and the business orientation of the commercial media have been a source of widespread concern in Canada for decades. Clement (1983: 101) discusses the *Senate Report on the Mass Media*, which was a commissioned study that identified the largest media complexes in 1970. The report found that there was enormous concentration within the media, and argued that this was detrimental to everyone's interests except the few corporations and individuals who controlled it. Fallout from the report actually resulted in an antitrust action against the Irving media interests in New Brunswick (the first of its kind in the media industry), although the ruling was eventually overturned. The Senate Report pointed out that although the structure of the media had changed, the mythology encompassing it had not; "conventional wisdom still cherishes the image of the 'independent' owner-editor, a tough but kindly old curmudgeon who somehow represented the collective conscience of his community. If this image ever had validity, it hasn't now" (cited in Clement, 1986: 288).

Trepidation over media ownership intensified through the 1970's as some of the largest media empires identified in the Senate Report continued to consolidate. Telemedia Quebec, for example, one of the largest fifteen, was acquired by Montreal Trust, itself a subsidiary of Power Corporation. This increased Power Corporation's

already widespread newspaper holdings in Quebec. As well, Standard Broadcasting, a subsidiary of Argus Corporation, took over Bushnell Communications which was also one of the largest in the country (Clement, 1983: 101-102). In 1981, spurred by the closing of the Winnipeg Tribune (owned by Southam) and the Ottawa Journal (owned by Thomson) on the same day, the federal government launched the Kent Commission. After much discussion, the commission made a number of detailed recommendations to protect journalistic integrity, including limiting the number of newspapers any single person or company could own to five, and barring ownership of more than one newspaper in a 500 kilometre radius. The Commission also admitted that “[i]t was left-wing viewpoints that tended to be underrepresented as commercialism increased its hold” (cited in Hackett and Gruneau, 2000: 67).

The Commission’s proposals to restrict ownership concentration and protect editorial independence in papers owned by big chains or conglomerates outraged the powerful media owners in Canada. One media baron, Pierre Péladeau, reminded the commission that “profit is the name of the game” (cited in Hackett and Gruneau, 2000: 37). Other owners stressed the same point, insisting that it was a newspaper’s first duty to survive economically. The government eventually retreated and the proposals of the Kent Commission were never implemented. Since the Commission’s report, Hackett and Gruneau (2000: 37) argue that the media’s ‘bottom-line orientation to profit’ has intensified. Many of Canada’s family-owned chains have been swallowed up by huge multi-media conglomerates owned by shareholders. This

type of ownership intensified the purely economic objectives of media companies, as managers became more concerned with maximizing short-term profits.³

In the early 1990's, a number of newspaper chains consolidated and struggled to increase profits during the economic decline. As a result, there were significant cutbacks in newsroom resources, most notably in the area of investigative journalism. Newspapers across the country began to look increasingly similar (Hackett and Gruneau, 2000: 11). In 1996, following the dazzling array of takeovers by Conrad Black, the level of corporate concentration in Canadian newspapers was among the highest in the world. After buying a dozen Thomson newspapers and a regional chain in Saskatchewan, Black acquired Canada's largest chain, Southam Inc.. Many Canadians were stunned by this latest incident of media consolidation. In contrast, the federal government no longer seemed concerned about growing media concentration; it "reacted to Black's takeover with a yawn. No Royal Commission. No legal challenge from the competition policy bureaucrats. On the contrary, the takeover was pre-approved" (Hackett and Gruneau, 2000: 11).

By the end of 1996, Black's company Hollinger comprised the third largest newspaper empire on the planet. It owned 58 of Canada's 104 dailies as well as titles in the United States, Britain, Israel, and Australia (Hackett and Zhou, 1998: 62). To put this in perspective, in the years following his takeovers Black controlled over 40 percent of daily newspaper circulation in Canada. At the same time, 10 companies

³ Another casualty of media consolidation has been 'independent' dailies, which are newspapers published by a company owning no other daily papers. By 2001, the number of independently owned daily newspapers had dropped to just five, down from twenty-nine in 1970. The biggest loser was Ontario – it had 18 independent newspapers in 1970 and zero in 2001 (Thunderbird online magazine, December 2001: volume iv, issue ii). The 'circulation battles' between the large media zeniths and the smaller independents were understandably lopsided, with predictable consequences.

controlled roughly the same share in the United States (Hackett and Gruneau, 2000: 55). The newspaper industry definitely stood out in the mid-1990's, but other media sectors had also become highly concentrated. According to James Winter (1997: 3),

In Canadian television, five corporations reached 62 percent of viewers in 1993. In the cable industry, three companies now have 68 percent of the audience, up from 36 percent in 1983, even though the number of subscribers has increased by more than 40 percent. In radio, with 479 stations, just 10 companies control 55 percent of the revenue share, up 50 percent in the last decade. In magazine publishing, the largest eight publishers controlled 52 percent of circulation in 1993-1994. In book publishing and distribution, Statistics Canada reported that for 1991-1992, just 21 out of 370 firms (6 percent) accounted for 51 percent of total sales.

In the late 1990's, Conrad Black decided to divest himself of many media holdings. But this did not result in greater distribution of media assets or a less concentrated media landscape in Canada. Rather, most of these assets were seized by CanWest Global, which purchased a large portion of Black's Hollinger holdings including the major metropolitan dailies in the Southam chain and hundreds of smaller publications. Combined with its major network of television stations, its film and TV production division and other media assets, CanWest now stood as the most compelling example of concentrated media ownership.

A final trend in media consolidation deserves mention. In the past decade or so, and especially in the last few years, the accelerating processes of concentration and profit maximization in the media have coincided with an acceleration in cross-media ownership or 'convergence.' At the industry level, convergence generally refers to the trend of consolidation of media ownership among information, entertainment, and retail companies. Wilson (2001: 6) argues that a small number of convergence 'champions' have emerged which have grown into positions of

dominance as a result of horizontal integration within industry sectors, combined with the vertical integration of these consolidated firms within newly constructed media/communications empires. In 1999, for example, two cable operators, Shaw and Rogers, were the second and third largest radio ownership groups in Canada (Wilson, 2002: 11). All but one of the main English-Canada newspapers in 2001 was the property of a TV or telecommunications giant, while in Quebec both private TV networks were in the hands of Quebecor, a newspaper and printing firm.

It would appear that the federal government is once again interested in the issue of media concentration. In 2001, the government announced that Heritage Minister Sheila Copps would appoint a panel to look at issues surrounding consolidation of print and broadcast media. This came at a time when opposition critics had been attacking the Liberals for being too friendly with the Asper family and CanWest Global. If history is any indication, however, it is unlikely that meaningful action will be taken to alter Canada's concentrated media environment.

Dominant Media Complexes

This section will look at seven of the largest and most dominant media corporations in Canada. In each case, a brief description of the company's media holdings will be provided, along with a timeline of significant mergers and acquisitions. Much of the information was gathered from the media companies' web sites and a CBC News report (July 2002) on media ownership.⁴ The 2001 company revenues and assets were taken from the 2002 Financial Post 500 (published annually

⁴ For a more in-depth ownership breakdown of Canadian newspapers and television stations, see Thunderbird Online Magazine (2003).

by National Post Business). In addition, corporate board interlocks between the media corporations and other dominant corporations will be presented at the end of each company's profile. The sample of 'dominant' corporations used here is a list of the Top 500 Canadian corporations found in the 2002 Financial Post 500. Although relying simply on revenue as an indicator of dominance is problematic, the intercorporate linkages between the media and the 'Top 500' provides an important indicator of elite integration. Information on the directors was taken from the 2003 Financial Post Directory of Directors (published annually by National Post Business). Subsidiaries of the media corporations themselves are not included. Other subsidiaries are included only if their parent is listed in the Top 500 (and the director does not sit on the parent company's board), and if the subsidiary is listed in the Top 100 subsidiaries.

Quebecor

2001 Revenues – 11,633,300,000; 2001 Assets – 19,513,200,000

Quebecor is a large diversified corporation based in Montreal whose operations are organized into two major segments: an industrial and a media segment. The industrial segment is centred around Quebecor World, the world's largest commercial printer. It employs 43,000 people at 160 plants in 16 countries in North America, Europe, Latin America, and Asia. The media segment is organized under Quebecor Media, which employs over 15,000 people (mainly in Quebec). It also has operations elsewhere in North America and around the world (Quebecor web site). Built on its printing operations, Quebecor has remade itself into a media titan and has

become one of Canada's 'convergence champions' through its ownership of television, Internet, and print media.

In 1998, Quebecor bolstered its media holdings by acquiring the Toronto-based Sun Media Corporation, a national newspaper chain that includes the Canoe group of Internet portals. The company now publishes Sun Media's 16 newspapers in cities across Canada (including its eight metropolitan dailies), as well as *Le Journal de Montreal* and *Le Soleil* in Quebec. In 2000, Quebecor outbid Rogers Communications to pay approximately \$5 billion for control of Vidéotron, an integrated communications company active in cable television, Internet access, and interactive multimedia development. Videotron is the dominant cable operator in Quebec with 1.5 million subscribers and the cornerstone of Quebecor's media empire in that province. In acquiring Vidéotron it also gained control of TVA Groupe Ltd., Quebec's largest private television network.

Obtaining control of TVA, however, was not easy. The CRTC stipulated that the newsrooms of TVA and the newspapers controlled by Quebecor must be kept separate in order to preserve editorial independence. It also ordered that no more than 40 percent of the seats on TVA's board of directors may be held by people associated with Quebecor Media. And, before being able to officially add TVA to its stable of media companies Quebecor was forced to sell TQS Inc., Quebec's second largest TV network (Chen and Graves, 2002).

Quebecor is now the largest media company in Quebec and a major player across Canada. It controls more than 40 percent of Quebec's conventional television revenues, close to 40 percent of the daily newspaper circulation, and 79 percent of

Quebec cable distribution revenues (ibid). Aside from the media holdings already mentioned, the company also owns SuperClub Videotron (Quebec's leader in video sales and rentals), Archambault (the largest music store in eastern Canada), a collection of entertainment weeklies and a dozen associated publishing houses (Quebecor website).

Media – Corporate Director Board Interlocks

Érik Péladeau – The Jean Coutu Group Inc.

Alain Bouchard – CEO of Alimentation Couche-Tard Inc., RONA Inc.

Robert R. Dutton – CEO of RONA Inc.

Pierre Laurin – Microcell Telecommunications Inc.

Brian Mulroney – Barrick Gold Corporation, COGNICASE Inc., TrizecHahn Corporation

Rogers Communications Inc

2001 Revenues – 3,912,656,000; 2001 Assets – 8,960,708,000

During the 1970's Rogers Cable TV Inc., pioneered by Ted Rogers, developed into one of Canada's most successful cable operators. In 1979, through a reverse-takeover bid, it acquired control of Canadian Cablesystems Ltd. In 1980, it purchased Premier Communications Ltd., making it the largest cable television company in Canada. Ted Rogers became a founding shareholder of Rogers Cantel Inc. (now called Rogers AT&T Wireless) in 1985, which began operation of a national cellular telephone network. One of Rogers' most important acquisitions came in 1994 when it successfully completed an offer for the shares of Maclean Hunter Ltd., a leading publisher of popular magazines and trade publications. The publishing assets of

Maclean Hunter were combined with Rogers' existing radio and television operations to form Rogers Media Inc. (Rogers web site).

Today, Rogers Communications is another of Canada's media giants and 'convergence champions,' with interests in cable, radio, television, magazines, video stores, and wireless telephone. It engages in cellular, Digital PCS, paging and data communications through Rogers AT&T Wireless. Rogers Cable (a wholly owned subsidiary of Rogers Communications), is Canada's largest cable television service provider with over 2.3 million customers in Ontario, New Brunswick, and Newfoundland, and a leading North American provider of high-speed Internet access. Rogers Cable also owns 260 Rogers Video Stores.

Rogers Media currently owns and operates two businesses: Rogers Broadcasting and Rogers Publishing. Rogers Broadcasting has 43 AM and FM radio stations across Canada that reach upwards of six million Canadians each week. Its television properties include CFMT, a multicultural Toronto station; The Shopping Channel, Canada's largest electronic retailer; a majority interest in Sportsnet (It purchased CTV's 40 percent share in July, 2002); and interests in a number of specialty television services. Rogers Publishing is Canada's largest magazine and periodical publisher. It produces over 60 consumer and business magazines such as *Maclean's*, *Chatelaine*, *Flare*, *Canadian Business*, and *MoneySense*. All publishing properties are integrated with their own related web pages (Rogers web site; Chen and Graves, 2002; and Wilson, 2001).

Media – Corporate Director Board Interlocks

Edward Samual (Ted) Rogers – The Toronto-Dominion Bank

H. Garfield Emerson – CAE Inc.

Philip B. Lind – Brascan Corporation

Ronald D. Besse – C.I. Fund Management Inc.

Albert Gnat – Vitran Corporation Inc., AXA Insurance (subsidiary of AXA Canada inc.), CLL Industries Inc., Slater Steel Inc., MDC Corporation Inc.

Robert W. Korthals – Co-Steel Inc., Cognos Inc., Suncor Energy Inc.

Alexander Mikalachki – The Independent Order of Foresters

David R. Peterson – Industrial-Alliance Life Insurance Company, Ivanhoe Cambridge Inc., SMX Speedy International Inc. (subsidiary of Goldfarb), Tesma International Inc. (subsidiary of Magna International Inc.), Vector aerospace Corporation

John A. Tory – Abitibi-Consolidated Inc., The Thomson Corporation

W. David Wilson – The Bank of Nova Scotia

CanWest Global Communications Corporation

2001 Revenues – 1,944,775,000; 2001 Assets – 6,299,220,000

The story of CanWest Global Communications began in 1974 when company founder Isreal Asper acquired a licence for a new independent television station in Winnipeg, Manitoba. One year later, CKND-TV was born. In 1977, Asper formed the CanWest Capital Corporation and acquired a 20 percent interest in Toronto's Global Television. Throughout the 1980's, CanWest added television stations in Vancouver, Regina, and Saskatchewan, and by the end of the decade it had acquired 100 percent of Global Television. This cross-country expansion continued into the 1990's as CanWest acquired a station in Halifax/Saint John in 1993 and a Quebec station in 1997. Also in 1997, CanWest entered the world of specialty cable with its launch of Prime TV in Canada and the radio business with its purchase of More FM in New

Zealand. Further diversification came in 1998 when it acquired Fireworks Entertainment Inc., a leading Canadian independent film and television production company, and in 1999 when it launched an Interactive Media division with investments in two US-based Internet content providers (CanWest web site).

In 2000, CanWest instantly emerged as a newspaper giant when it purchased most of Conrad Black's Hollinger holdings (13 metropolitan dailies, 50 percent of the National Post, 136 community newspapers, and Internet portal Canada.com) for \$3.5 billion. Hollinger kept half of the National Post and, in addition to cash, got 15 percent of CanWest shares, 6 percent of voting shares, and two seats (shown below) on the board of directors (Grace, 2001: 10). Also in 2000, CanWest bought Western International Communications' (WIC) nine television stations for \$800 million. This completed a new national Global Television network stretching from coast to coast.

By the middle of 2001, CanWest had amassed an impressive media empire. It owned the National Post (after purchasing the other half from Black earlier in the year), 14 large metropolitan daily newspapers, and hundreds of smaller daily and weekly community papers. The 27 papers grouped together in the Southam chain accounted for approximately one-third of the total circulation per week of Canadian daily newspapers in mid-2001, and 41 percent of the circulation of English-language dailies (Knox, 2002: 505). Its television holdings included the Global network, made up of 11 stations in eight provinces across Canada (reaching 94 percent of the English speaking public), Prime TV, as well as five independent stations in Kelowna, Red Deer, Victoria, Montreal, and Hamilton. In addition, the company had private TV networks in Australia, New Zealand, and Ireland, among other holdings. CanWest

Entertainment (its film and TV production division) was comprised of three separate units: Fireworks Entertainment based in Toronto; Fireworks Pictures based in Los Angeles; and Fireworks International based in London, England. Also in 2001, CanWest's Interactive division operated the Canada.com internet portal which includes Globaltv.com and sites corresponding to Southham newspapers across the country (CanWest web site; Chen and Graves, 2002; Wilson, 2002; and Knox, 2002).

In July 2002, in an attempt to pay down its debt of about \$4 billion, CanWest sold a dozen community newspapers and 32 other publications in Atlantic Canada and Saskatchewan for \$255 million (Knox, 2002: 520). These were taken over by Transcontinental Inc., a new player in the daily newspaper industry. Yet, despite dropping their share in the newspaper market by a few percentage points, CanWest Global Communications is still the most imposing example of concentrated media ownership in Canada.

Media – Corporate Director Board Interlocks

Gail S. Asper – Great-West Lifeco Inc. (subsidiary of Power Corporation)

Lloyd I. Barber – Bank of Nova Scotia, Molson Inc., Teck Cominco Ltd.

Jalynn H. Bennett – Bombardier Inc., Canadian Imperial Bank of Commerce, Sears Canada Inc., Ontario Power Generation Inc. (crown corporation)

Lord Conrad Black – CEO of Hollinger Inc., Brascan Corporation, Canadian Imperial Bank of Commerce

Frank J. McKenna Jr. – Acier Leroux Inc./Leroux Steel Inc., Bank of Montreal, General Motors of Canada Ltd., Noranda Inc., Shoppers Drug Mart Corporation

F. David Radler – Hollinger Inc., West Fraser Timber Co. Ltd.

Shaw Communications Inc

2001 Revenues – 1,571,953,000; 2001 Assets – 8,787,956,000

For most of its history, Shaw has expanded its operations through the acquisition of cable properties. Transactions involving the cable industry are too abundant and complex to be detailed in this investigation. For example, in a number of instances cable enterprises were acquired by either Shaw or Rogers but then exchanged at a later point in time as part of regional strategies. In any case, Shaw has emerged as Canada's second largest cable operator (Rogers is first), dominating the market in western Canada (Wilson, 2002: 9).

In 1999, Shaw separated its media activities from its cable business when it created Corus Entertainment. Under the arrangement, Shaw was separated into two distinct corporations: Shaw Communications is responsible for Shaw's cable television, Internet access, telecommunications, and satellite business; Corus Entertainment operates Shaw's radio broadcasting, specialty television, digital music services, and cable advertising services business. When it was founded, Corus Entertainment's principal assets included just a handful of radio stations and specialty television networks, many of which were acquired in the years just prior to the separation. Since then, Corus/Shaw has been very active in obtaining further radio properties, including 19 in Ontario from Power Corporation and 10 from WIC Premium (Wilson, 2002: 11). Today, Corus Entertainment has assets consisting of 49 radio stations, television services, and Nelvana Ltd., an international producer and distributor of children's programming. It also owns specialty networks such as YTV, CMT, and Premium Pay TV Services. In March 2001, Shaw took over Moffatt Communications – which owns Videon Cable and WTN – for \$1.2 billion (Chen and Graves, 2002).

Media – Corporate Director Board Interlocks

J.R. Shaw – Suncor Energy Inc.

Leslie Earl Shaw – ShawCor Ltd.

James Francis Dinning – Finning International Inc.

Ronald V. Joyce – Sobeys Inc. (subsidiary of Empire Co. Ltd.)

Donald Mazankowski – ATCO Ltd., Conoco Canada Resources Ltd., Weyerhaeuser Company, Power Corporation of Canada

Bell Globemedia

2001 Revenues – 1,203,000,000; 2001 Assets – not available

Bell Globemedia was born in September 2000 through a newly formed \$4 billion partnership involving Thomson Corporation and Bell Canada Enterprises (BCE) Inc. The new multi-media giant is 70.1 percent owned by BCE, 20 percent by Thomson Corporation, and 9.9 percent by the Woodbridge Company (the Thomson family holding company). Just a few months earlier, BCE had purchased CTV for \$1.33 billion, giving it control of Canada's second largest television network and a group of specialty channels. This came shortly after Electrohome, Baton, and CTV were merged into a single entity known as the CTV network (Wilson, 2002: 10). In addition to CTV, Bell Globemedia owns Canada's foremost daily national newspaper (the Globe and Mail) and Bell Globemedia Interactive, which operates the leading Canadian owned family of web sites. It also owns 70 percent of another Internet division called Sympatico Inc.. A few of the company's popular specialty channels include the Discovery Channel, Report on Business Television (ROBtv), The Sports Network (TSN), and The Comedy Network.

Bell Globemedia was active in 2001, expanding its already impressive network of media holdings. It acquired CKY Winnipeg, Manitoba's largest television station and bought an interest in TQS Inc. (after Quebecor was forced to sell by the CRTC), Quebec's second largest TV network. The company also purchased 70 percent of CFCF from CanWest Global, the biggest English language television station in Montreal. The only significant sale came in 2001 when the CRTC ruled that the company could not own part of both cable sports stations. It subsequently sold its 40 percent share in Sportsnet to Rogers and will have to make do with TSN. With its powerful combination of assets, Bell Globemedia reaches upwards of 26 million Canadians each week and is sure to be a force across all media sources in the years to come (Bell Globemedia web site; and Chen and Graves, 2002).

Media – Corporate Director Board Interlocks

W. Geoffrey Beattie – Thomson Corporation (owns 20 percent of Bell Globemedia), Hydro One Inc., Royal Bank of Canada

Donna Soble Kaufman – Hudson's Bay Company, TransAlta Corporation

Brian M. Levitt – Alcan Inc., Domtar Inc., Fednav Ltd

David K.R. Thomson – Thomson Corporation

Peter J. Thomson – Thomson Corporation

Transcontinental Inc.

2001 Revenues – 1,779,377,000; 2001 Assets – 1,340,720,000

Transcontinental Inc. was founded in 1976 by CEO Remi Marcoux. The company is comprised of two main sectors: Transcontinental Printing and Transcontinental Media. The former accounts for majority of the company's revenue

and is Canada's leading book and retail printer (and a close second in commercial printing). Transcontinental Media, with 54 publications and an annual circulation of more than 100 million copies, is the largest publisher of consumer magazines in Canada and the second largest publisher of magazines and periodicals overall. Some well-known titles include *Canadian Living*, *Elle Canada*, *Style at Home*, and *Les Affaires*. In addition, Transcontinental has recently become a force in the newspaper business. By 2001, it owned 79 community newspapers including 10 dailies, making it the second largest publisher of community newspapers in Canada. In July 2002, the company increased its holdings when it bought a dozen community papers and 23 other publications in Atlantic Canada and Saskatchewan from CanWest Global. It also agreed to take over the printing of the National Post for the Atlantic provinces. Not to be left out of emerging markets, Transcontinental has recently developed a range of Internet products and services (Transcontinental web site; Canadian Business Resource online, company profile; Chen and Graves, CBC News Online: July 2002).

Media – Corporate Director Board Interlocks

Rémi Marcoux – Canadian Tire Corporation Ltd., MAXX Inc.

Pierre Brunet – National Bank of Canada, METRO Inc., Slater Steel Inc.

Robert Chevrier – Bank of Montreal

Gail C.A. Cook-Bennett – Manulife Financial Corporation, Petro-Canada

J.V. Raymond Cyr – Air Canada, COGNICASE Inc., Canadian National Railway Company, TransCanada PipeLines Investments Inc.

Harold P. Gordon – Dundee Bancorp Inc.

Hubert T. Lacroix – Zarlink Semiconductor Inc.

Monique Lefebvre – COGNICASE Inc.

Hollinger Inc.

2001 Revenues – 1,822,060,000; 2001 Assets – 3,689,559,000

As was mentioned above, Hollinger Inc. is no longer the media giant it was in the late 1990's when it owned 58 of Canada's 104 dailies and controlled over 40 percent of daily newspaper circulation. In 2000, it sold a large portion of its holdings to CanWest Global, including the Southam chain, 50 percent of the National Post, and hundreds of community papers. Early in 2001, Hollinger sold UniMédia Company (Hollinger's French language newspapers) to Gesca Ltd., a subsidiary of Power Corporation. Later in the year, Hollinger sold the its remaining interest in the National Post to CanWest and the bulk of its remaining Canadian newspapers to Osprey Media Group Inc. for \$255 million. It also sold the remainder of its stock in CanWest (Hollinger Inc. Annual Report, 2002).

Yet, Hollinger still retains control of numerous Canadian publications. Its Canadian newspaper group consists of Hollinger Canadian Publishing Holdings Co. and an 87 percent interest in Hollinger Canadian Newspapers, Limited Partnership (the former CEO of this Hollinger branch is now the CEO of Osprey Media Group Inc.). Together, they own 10 daily and 23 non-daily newspaper properties, as well as various other business magazines and tabloids. Hollinger also owns and operates English-language newspapers in the United States, the United Kingdom, and Isreal. Its principal foreign assets include the Chicago Sun-Times, one of the largest papers in Chicago; the Daily Telegraph of London which is the highest circulation daily newspaper in the U.K.; and the Jerusalem Post in Israel (Hollinger Inc. Annual Report, 2002).

It is unclear whether Hollinger will ever return to its position of media dominance. Black appears to have left his options open; "If we are confident enough of the growth potential of possible acquisitions, we will become media acquirers again" (Chairman's Letter, in the Hollinger Inc. Annual Report, 2001). This may not happen, however, unless "Canada develops a more promising national mission statement than to be more socialistic than the United States" (ibid).

Media – Corporate Director Board Interlocks

Lord Conrad Black – CanWest Global Communications, Brascan Corporation, Canadian Imperial Bank of Commerce

F. David Radler – CanWest Global Communications, West Fraser Timber Co. Ltd.

Peter Y. Atkinson – Canadian Tire Corporation Ltd., Toronto Hydro Corporation (crown corporation)

Fredrik Stefan Eaton – Masonite International Corporation

R. Donald Fullerton – Canadian Imperial Bank of Commerce, George Weston Ltd.

Henry H. Ketcham III – CEO of West Fraser Timber Co. Ltd., Toronto-Dominion Bank

Maureen J. Sabia – Canadian Tire Corporation Ltd.

Peter G. White – Cinram International Inc., Transat A.T. Inc.

Does Ownership Matter? Free Expression at CanWest Global

It is often claimed that media ownership has little relation to media content or editorial independence. Owners, these sceptics claim, may oversee the overall production of media output on a broad level but rarely intervene directly to influence news directors, the selection of topics and stories, or any other aspect of media management. There is an important element of truth to this. As was argued above,

direct intervention by owners is usually not required. Most reporters, directors, and editors are pre-selected and their views fall safely within the limits of tolerance and the framework of assumptions that represent an elite consensus. For those with a more independent outlook, the majority of screening is subtle but remarkably effective. As Chomsky notes, “[t]here’s a whole filtering process that enables people to rise through the system into managerial roles only if they’ve demonstrated that they’ve successfully internalized the values demanded by private power” (cited in Chomsky and Barsamian, 1997: 127). This process is largely predicated on fear, as the power of owners to hire and fire creates an unspoken but chilling effect in many newsrooms.

There is, however, no shortage of cases where the intervention of owners is direct and heavy-handed. Decades ago, the *Senate Report on the Mass Media* reported that on the occasion of his retirement as president of Eaton’s, John David Eaton was asked if he had ever tried to use his power and influence to quash newspaper stories. John David apparently remarked, “Wouldn’t you?” (II: 148-149 cited in Clement, 1986: 294). When Paul Desmarais took over the Montreal-based *La Presse*, its pro-Liberal establishment editorial stance was partly accomplished through the ‘house cleaning’ of dissident editors and reporters during the famous *La Presse* strike of 1971 (Clement, 1986: 294). Employees at *La Presse* were apparently seeking a greater degree of control over the newspapers’ operations, something Desmarais did not approve of; “[n]obody is going to control this paper. It’s my newspaper. If they want control, let them start their own newspaper” (cited in Clement, 1983: 102).

Through the latter part of the 1990's, Conrad Black was garnering the reputation as an especially 'hands-on' owner. At Southam and some of Hollinger's flagship papers, Black's takeovers often resulted in the departure of directors, publishers, and editors who did not fit with his staunch right-wing values (Hackett and Gruneau, 2000: 61). For example, Black's takeover of Southam in 1996 quickly led to the exodus of editors at the *Montreal Gazette* and the *Ottawa Citizen*. Columnist Chris Young – former *Ottawa Citizen* editor whose column was dropped after a verbal exchange with Black – claims that “[o]n tours of Southam newspapers [Black] has disclaimed interference with editorial policy, but emphasized his belief in ‘moral balance.’ This is taken to mean more right, less centre or left: Ignore at your peril” (cited in Hackett and Gruneau, 2000: 62).

Because Black presided over a huge chain of newspapers, the employment opportunities and career mobility of journalists not held in his favour became severely limited. As columnist Dalton Camp explains, “[s]omeone who is sacked on one Black paper is likely banned from future employment at 57 others” (cited in Hackett and Gruneau, 2000: 64). Michael Cobden, a former editor for the *Kingston Whig-Standard* and journalism teacher at the University of King's College in Halifax, aptly summarizes Black's penetrating influence on Canadian journalism; “It's a matter of the head office of his chain influencing the journalism of all its newspapers, so that they all read the same, look the same, choose the same sorts of things to write about, and write about them in much the same way, in the same tone, at the same length, in the same story form” (cited in Taras, 1999: 216). These examples, and especially

those that follow, cast serious doubt on the image of the disinterested owner and highlight the powerful intervening influence of media ownership.

By all accounts, the Asper family has an even more 'involved' management style than did the notorious Black. According to one Southam writer, "[w]e've had more interference from the Aspers in six months than we had from Conrad in five years" (cited in Grace, 2001: 13). He also says that the same people within Southam that cheered when Black sold off the chain are now realizing that in comparison to the Aspers, Black took a relatively hands-off approach.⁵ In December 2001, CanWest executives set off a media furor with their decision to implement a 'centralized editorial policy.' Under this initiative, the major newspapers in the Southam chain were required, once a week, to publish identical editorials distributed by corporate headquarters in Winnipeg. Moreover, employees were prohibited from diverging in their own editorial columns from the positions taken in these centralized articles (Knox, 2002: 504). Initially, the company sent out one weekly editorial but announced shortly thereafter that it would be increasing the number to three per week. This policy prompted widespread outrage among journalists and others who feared the loss of distinctive regional voices and the diversity of opinion.

Even under Black's watch, Southam was still running a 'Statement of Editorial Independence' in its 1995 annual report. CanWest's policy was quite different. Izzy Asper explained his reasoning at the CanWest annual shareholders meeting, stating that "on national and international key issues we should have one, not 14, editorial positions" (cited in Winter, 2002: 2). The Ottawa satirical magazine

⁵ A study by the CCPA found that editorial diversity in Vancouver's largest papers actually declined when the Aspers took them over from Black (NewsWatch Monitor in CCPA Monitor, March 2003).

Frank offers a compelling example of CanWest interference. It reported that a pro-Chretien opinion piece “came over the wire with an unprecedented notation: ‘THIS MUST RUN IN ALL SOUTHAM NEWSPAPERS.’” It further asserted that at an editorial meeting in Winnipeg, David Asper had instructed editors not to criticize the CRTC, to avoid speaking negatively of the economy, to end criticism of Israel’s treatment of the Palestinians, and to drop two editors for their Palestinian sympathies (cited in Grace, 2001: 11).

Journalists from CanWest’s *Montreal Gazette* led the employee resistance. They organized a strike, put up a website to rally support, and enlisted the support of the union and other journalists. The *Gazette*’s publisher, Michael Goldbloom, had earlier resigned over what he called CanWest’s ‘centralized management style’ (Winter, 2002:1). Furthermore, many reporters at the *Gazette* withheld their by-lines from stories for two days. In an open letter dated December 10th 2001, they explained their reasons (as of January 23rd 2002, 77 *Gazette* employees had signed this letter). A few excerpts from the letter read as follows;

We believe this is an attempt to centralize opinion to serve the corporate interests of CanWest. Far from offering additional content to Canadians, this will practically vacate the power of the editorial boards of Southam newspapers ... Essentially, CanWest will be imposing editorial policy on its papers on all issues of national significance ... The company is narrowing debate and corrupting both news coverage and commentary to suit corporate interests (cited in Knox, 2002: 505).

Following the Montreal protest, CEO Leonard Asper struck out at the ‘martyrs’ who he thought were stirring up trouble. Dozens of employees at *The Gazette* were reprimanded, suspended, and threatened with dismissal (Knox, 2002: 504).

This is by no means the only example of harsh and autocratic treatment of employees at CanWest. Russ Mills, publisher at the Ottawa Citizen, was fired after an editorial called for Jean Chretien's resignation; Author and Southam columnist Lawrence Martin's contract was not renewed because of his criticism of Chretien; *Toronto Sun* columnist Peter Worthington had his column pulled from the *Windsor Star* (a Southam paper), after making critical statements about the Aspers; Stephen Kimber, a columnist for 15 years with the *Halifax Daily News* resigned in January after his column was quashed by corporate headquarters; Doug Cuthand, a First Nations columnist for the *Regina Leader-Post*, wrote a column sympathetic to the plight of the Palestinians which the Aspers eventually had killed (Winter, 2002: 1-2). Other events at the *Leader-Post* moved CanWest to 'put its foot down.' Ten journalists who pulled by-lines in protest over CanWest's policies were reprimanded and four who had spoken out publicly were suspended for a week without pay. Izzy Asper was quick to defend the disciplinary action; "I will not tolerate an employee who is not loyal to his employer, I happen to think the sanction should be much more strong" (cited in Macklem, 2002). Executives also issued a company-wide ban on the use of organized by-line withdrawals by reporters as a form of protest. This order was also circulated in the company's television newsrooms (Knox, 2002: 504).

It is clear that the Aspers have no second thoughts about using their influence as owners to manipulate media content. But what do journalists and editors think about ownership influence? Newswatch co-director Robert Hackett conducted interviews in 1996 with approximately two dozen journalists and editors working for a variety of Canadian media outlets in Toronto. They later supplemented the

interviews with a survey that was sent to journalists and editors across Canada (Hackett and Gruneau, 2000: 77). A majority of journalists identified external pressures from owners, advertisers, and interest groups as significant news filters. For example, nearly 52 percent of the respondents cited 'Direct Pressure: Owners' as a factor that 'often' or 'occasionally' has the effect of filtering the news. Forty three percent said the same about 'Direct Pressure: Advertisers' (p.84). Almost half of the respondents indicated that the fear of reprisals from owners 'occasionally' or 'often' leads reporters to censor themselves, while almost one-third said that the fear of advertisers lead to self-censorship and news omissions (p.88). Thus, the fear of alienating powerful interests seems to have created a self-censoring mechanism within journalists and editors. Moreover, many appeared to be aware of this; seventy three percent of the respondents felt that 'Critical Coverage of Business' deserved more attention in Canadian newsrooms (p.92).

Another national survey of journalists was conducted in 2003 concerning their views on newspaper ownership (Soroka and Fournier, 2003) The survey was mailed to approximately 1000 journalists working at nine major newspapers across the country. These included: *Le Devoir* (independent), *Montreal Gazette* (CanWest), *Ottawa Citizen* (CanWest), *Vancouver Sun* (CanWest), *National Post* (CanWest), *Globe and Mail* (Bell Globemedia), *Toronto Star* (Torstar), *Journal de Montreal* (Quebecor), and *La Presse* (Power Corporation). The results of this survey are even more startling than those of the previous study, perhaps because of the recent controversy at CanWest Global (and Hollinger some years earlier). Some of the key findings are as follows:

- Almost all journalists (92 percent) believe that the owners of their newspapers have views and interests they would like to see expressed in the paper. Not surprisingly, almost every journalist at the four CanWest papers thought this to be true.
- More importantly, 83 percent said that their owners' views and interests *are* regularly reflected in the content of their newspaper. This proportion topped 94 percent at all four CanWest papers.
- Just over three-quarters of respondents believe that editorials are frequent vehicles for owners' views, while an amazing 56 percent said that *news coverage* generally portrays the positions of ownership.
- Despite these claims, approximately 60 percent of journalists (including 65 percent of reporters) maintain that newspapers should *not* disseminate ownership's views and interests in any way.
- Over half of the journalists stated that the views and interests of their owners 'most of the time' or 'almost always' had an impact on what they write/edit, and on the issues/points of view they are able to raise and pursue.
- A very large proportion of the journalists believe that greater concentration of newspaper ownership decreases the quality of newspaper content (87 percent), and decreases the public credibility of newspapers (95 percent).
- Finally, an overwhelming majority believe that greater media convergence decreases the quality of newspaper content (89 percent) and the public credibility of newspapers (94 percent).

It does matter who owns and controls the media and the Canadian public seems to believe this as well. For example, a recent survey found that a significant majority of Canadians believe that there is too much media concentration in Canada, that media owners exercise too much control over the content of news and opinion, and that the problem of media concentration warrants action by the federal government (Kraft and Smith, 2002). What is especially unfortunate is that the process of the media becoming increasingly concentrated in Canada has taken place with little or no public debate. Almost invariably, these issues are treated as business issues and not ones relevant to the public's interests, despite the clear implications.

In the following chapters (Part Three), our focus will turn to the mechanisms of elite unity which comprise the 'policy formation network:' policy organizations, think-tanks and foundations. These organizations are vitally important for the elite because the sources of cohesion presented in Part Two are insufficient to produce policy consensus. Agreement on policy issues requires extensive deliberation and consultation in order to transform political problems into manageable objects of policy, and to develop a reasoned sense of long-term interests, all of which occurs in the context of policy-formation network.

PART III

The Policy Formation Network: An Organizational Basis for Elite Cohesion

Chapter Five: Policy Organizations

There are literally hundreds of trade associations in Canada that are organized to defend the interests of specific industries. They are often studied in the context of larger investigations of 'pressure groups.' Yet, a few organizations have been established with a much different mandate than the customary associations. These organizations can be described as 'intersectoral,' and they exist to provide a forum for the discussion and articulation of policies affecting most large companies, regardless of sector or region. This mandate provides direct and often crucial support for elite consensus formation. In Canada today, there are four policy organizations of this type which have somewhat of a public profile: the Business Council on National Issues (BCNI), the Canadian Chamber of Commerce (CCC), Canadian Manufacturers and Exporters (CME), and the Canadian Federation of Independent Business (CFIB).

These broadly-focused, intersectoral organizations comprise some of the key coordinating points in the policy-making process. Domhoff (1987: 193-194) argues that policy organizations have several different functions within the capitalist power structure. First, they provide a setting where business leaders can meet with each other, and with government representatives to familiarize themselves with policy issues and discuss general problems of concern. Second, policy organizations help to infuse the information and concepts provided by think-tank 'experts' into the perspectives of corporate leaders and government officials, who are then better able to use the information for political ends. Third, they supply a forum in which the elite can informally select business leaders who are capable of serving in government. This informal recruiting ground extends to other 'experts' as well, such as elite academics. Policy organizations – in concert with the

economic elite – evaluate whether academics are capable and committed enough to represent their interests within the state and political arena. If an individual is judged to be a suitable representative, those within the policy group then convey to him/her the concerns, goals, and expectations of corporate Canada.

There is one other crucial function of policy organizations that is regularly overlooked. It involves the mediation of conflicts within the economic elite and the generation of class-wide rationality. Indeed, many prominent business representatives are already highly class-conscious *before* becoming members. This makes sense, as these organizations constitute an important interface between the highest levels of government and dominant corporations in all sectors of the economy. But a broad, class-based outlook is also fostered *within* policy organizations, and a greater degree of unity is cultivated among its various participants.

Interesting testimony on this is offered by Useem (1984) who interviewed many prominent executives in the United States about the kinds of people they would suggest for government positions. The most valued traits were “character and integrity,” which was exemplified by “an executive’s capacity to transcend the immediate imperatives of his or her own company to express a broader vision” (p. 96-97). The persons who fit this criteria were selected specifically for their experience in policy organizations. One executive who sat on four company boards and served in the Department of Defense for several years remarked that the executives who best represented business “are down in Washington undertaking responsibilities beyond the requirements of their own operation ... heading the Roundtable and the Business Council, [they are] willing to step out and accept public responsibility even while they carry out their private responsibility” (p. 97).

Thus, it is common that individuals who direct the activities of intersectoral policy organizations have a significant influence on the policies collectively endorsed or opposed by business. These participants must have a demonstrated ability to bring forward information about the common concerns of a broad range of companies and to translate these into realistic policy alternatives. Their abilities become further refined and sophisticated through continuous rounds of meetings, negotiations, conferences, and planning seminars. As well, these activities allow corporate executives to judge their mutual capacities at a close range and ‘weed out’ those individuals whose outlooks are not sufficiently broad or class-based. In short, policy organizations both attract inner circle business leaders as well as refine their political perspectives and skills.

Elite Consensus and Public Policy: The Business Council on National Issues

The Business Council on National Issues (BCNI)¹ is Canada’s most powerful and effective policy organization. It is composed of the chief executives of the country’s 150 leading corporations. Together, they represent every major sector of the economy. These companies administer assets worth an astonishing \$2.3 trillion and employ approximately 1.5 million Canadians. The structure of the BCNI consists of an eight person executive committee, a 24 member board of directors (which together provide governance and overall direction for the Council), and the general membership. In conjunction with its increasingly global mandate, the Council now consists of three separate policy committees which cover Canadian, North American, and global policy issues. The BCNI

¹ In December 2001, the Business Council on National Issues announced that it was changing its name to the ‘Canadian Council of Chief Executives’ (CCCE). This coincided with the organization’s expanded global mandate and its “need for a clearer identity worldwide” (CCCE web site). For the sake of convenience – and following the tradition of other works – the Council will be referred to as the Business Council on National Issues throughout this chapter.

is presided over by president and CEO Thomas d'Aquino who "exerts an influence over Canadian public policy that C.D. Howe, even at the height of his wartime powers, would have envied" (Newman, 1998: 154).

According to David Langille (1987: 51), "if there is an 'inner circle' amongst Canadian businessmen, it would certainly be dominated by the members of the Business Council." Nearly all of BCNI's members are 'professional managers' but some 'owner-managers' (such as the Thomsons) are represented within the Council by companies under their control. Senior officers in Canada's other major policy organizations, such as the Canadian Chamber of Commerce and Canadian Manufacturers and Exporters, also participate in the affairs of the Business Council as associate members. Members engage directly in policy work through committees, roundtables, task forces, and other initiatives. Over the years, committees and task forces led by council members have dealt with a wide range of domestic and international issues.² The overarching mandate of the BCNI, and the structure of the BCNI's task forces have made it a virtual 'shadow cabinet,' overseeing developments in every cabinet portfolio (Dobbin, 1998: 167).

The Business Council was created in 1976 as part of the corporate offensive of the 1970's (see chapter 1). The Council united the "greatest collection of heavyweight executive talent in Canada's history" to deal with "organized labour and governments that have grown in size as well as propensity to regulate and intervene in the economy" (Davies, 1977: 30). Canadian capitalists were concerned that the welfare state had grown too large; the state, they believed, was dangerously 'out of control' and no longer capable

² Some of these issues have included monetary policy, fiscal reform, education reform, employment, pensions, taxation, competition policy, energy policy, foreign policy, international security, and international trade. (CCCE web site).

of adequately representing business interests or organizing the compromises that would sustain corporate dominance. Furthermore, the political parties had become unreliably 'pragmatic' and too willing to sacrifice capitalist priorities. The period was also marked by a growing tide of labour unrest and a public that was increasingly critical of corporate power. In response to these pressing concerns, business leaders Alfred Powis and W.O. Twaits formed the BCNI to enhance the influence of the private sector in Canada. In the opinion of James Gillies, "[t]he development of the BCNI was a tacit recognition that the days of the strong inter-relationship between senior ministers and businessmen and senior mandarins and businessmen [were] over" (cited in Langille, 1987: 54).

Another central reason for the formation of the BCNI was to scrupulously transform public policy in Canada. As part of its mandate, the Council outlined broad areas of policy which required attention, and aimed to exert their influence in a timely fashion. Prior to its development, business leaders had only appeared capable of reacting negatively and after the fact to government policies and programs (Langille, 1987: 48). According to former Council president William Archibald, the BCNI would change this aspect of business-government relations and take a pre-emptive approach to public policy, developing approaches and solutions that could be "put forward early in the process so that they [had] a chance at being considered" (cited in Dobbin, 1998: 167).

The overall objectives of BCNI members were very ambitious. Maude Barlow (1999: 20) summarizes their long-term political goals:

to challenge the whole notion of the social state, the sharing for survival, the whole notion of paying taxes because you believe there is something greater than your own set of rights. They knew that if they were going to ... replace democracy with economic freedom as the most fundamental right, then they had to change the political culture ... It wasn't going to happen overnight. I believe they knew it was going to take 20 years.

However, in order to effectively 'rein the state back in,' and successfully contour Canada's public policy terrain, business leaders needed an organization that would speak for the business community as a whole. The various trade associations had considerable expertise about the specific industries they represented, but were in no way capable of establishing long-term policy initiatives or coherent political strategies. Furthermore, policy organizations like the Canadian Chamber of Commerce and the Canadian Manufacturers' Association were not sufficiently broad in focus and the CEO's of Canada's largest corporations no longer played an active role in these organizations. According to Michael Pitfield, then Secretary to Cabinet in the Trudeau administration, the existing organizations had atrophied so badly that they had become part of the problem (Langille, 1987: 47). Government officials shared the desire of Canada's business elite, meaning that they also wanted an organization that could reflect the wide range of views within the business community and offer an integrated approach to government. In fact, Duncan Cameron (1988: 19) believes that "some credit goes to Trudeau himself for encouraging the BCNI. He kept complaining about the mixed messages being received from business."

In the words of Tom d'Aquino, the Council's creation and structure reflected the fact that "major business leaders wanted to be able to move quickly on issues and address them at the highest level ... at a level most large organizations are unable to do and with a degree of speed and consensus most large organizations find difficult" (cited in Langille, 1987: 53-54). Thus, a primary motive for the creation of the BCNI in 1976 was to facilitate cohesion and consensus among Canada's economic elite, and to ensure the maximum degree of coordination and planning in matters of overall concern to Canadian

business. Less central to its mandate but equally significant, the BCNI functioned to politicize members and expand their class consciousness.

Given that the BCNI was forged as a new organizational model for Canadian business, is it useful to ask how business leaders chose its particular structure and membership guidelines. By many accounts, the Council was modeled after the Business Roundtable in the United States, an organization whose members include the CEO's of the largest U.S. corporations (Langille, 1987; Dobbin, 1998; and Barlow, 1999). Since its creation in 1974, the Roundtable has developed into an extraordinarily effective policy organization. Like the BCNI, it materialized out of the corporate offensive of the 1970's, as business leaders in the U.S. sought to reduce state autonomy and unite the array of industry-specific business groupings. Canadian business leaders were very impressed by the Roundtable's success and particularly its ability to integrate the U.S. business community. Useem (1984) contends that the Business Roundtable enhances the political awareness of its members and sensitizes them to the political consequences of the action taken by their own firms. Following this, the Roundtable attempts to "bring member firms to support public policies they would not otherwise do, or at least not with the same degree of vigor" (p.143). According to Barlow (1999: 20), "[p]retty much every country in the world now has an organization modeled on the Business Roundtable. I think there were enormously close ties [between the BCNI] and U.S. business leaders right from the beginning."

Until 1980, the BCNI exhibited a fairly low profile. This changed dramatically, however, when Tom d'Aquino was chosen to be the head of the Council in 1981. The assault began on the Trudeau Liberals, who now faced a more united and far more

aggressive business class. One indication of the shift came when business requested that the government re-examine the tax system. Contrary to the BCNI's goal of promoting business-friendly tax reform, finance minister Allan MacEachen and his advisors focused on how billions of dollars were being lost to corporate tax breaks and how to close the loopholes. The resulting legislation outraged corporate Canada and prompted them into immediate action. According to economist Neil Brooks (who worked for the finance department on the tax reform package), Canadian corporations launched "a classic example of what's called a capital strike. I mean, business simply said to the government that if you go ahead with these measures we will stop investing in Canada ... literally the next day [the development industry was] closing down jobs and ... pulling cranes off construction jobs" (cited in Dobbin, 1998: 168-169).³

The above incident was but the beginning of the BCNI's offensive to alter the relationship between big business and the state. Bradford (2000: 67) argues that by 1983, "business had responded in a coherent and strategic fashion to changed economic and political conditions ... demonstrating little uncertainty or confusion about its interests and exhibiting unprecedented capacity for political articulation." For the remainder of the decade, through sheer tenacity, the BCNI mapped the contours of neoliberalism in Canada. It focused much of its attention on the new Conservative government led by Brian Mulroney and the elimination of Canada's National Energy Program (NEP). Energy policy had been one of the most difficult areas for members of the Council to reach a consensus, as they faced divisions between the conflicting interests of the oil

³ This proved to be a wake-up call for the Liberals, who promptly dumped MacEachen as finance minister and replaced him with lawyer Marc Lalonde. Shortly thereafter, Lalonde reportedly visited d'Aquino's home where "he is alleged to have signed a peace pact with the business leaders and to have promised them the government's support" (Langille, 1987: 59).

companies, manufacturers and utilities, as well as between domestic and foreign-owned firms. Nevertheless, through “a series of secret meetings involving oil executives and the Alberta government, industrialists and the Ontario government, and bankers and the Federal Government” the BCNI helped engineer a new energy accord, “one that would virtually scrap the NEP, adopt world market prices, and involve substantial changes in taxation policies” (Langille, 1987: 62-63). This intervention is an illustration of the BCNI’s ability to negotiate compromise between fractions of capital and their respective state representatives.

Before the close of the celebration over the energy victory, d’Aquino was preparing to officially revise Ottawa’s competition bill, something that he had laid the groundwork for years earlier (Newman, 1998: 155-156). In the early 1980’s, the BCNI spent \$1 million dollars on the competition project alone and by 1985 (with the help of twenty-five lawyers) it had produced a comprehensive 236 page report, which was handed over to the government and eventually became Canada’s new competition law. Not surprisingly, the new legislation contained no provision for class-action suits, and prosecutions were moved from criminal to civil courts. Newman (1998: 156) laments the fact that this may be “the only time in the history of capitalism that any country allowed its anti-monopoly legislation to be written by the very people it was meant to police.” By all accounts, the first half of the 1980’s was a remarkably accomplished period for the BCNI.⁴

⁴ As the BCNI itself points out in 1986, “One of the Business Council’s most remarkable attributes is its ability to forge common positions on major issues ... consensus had been achieved in virtually every task force initiative since 1981. There are several reasons for this. First, the Council asks members to consider issues from a national perspective. Advocacy of individual company concerns is discouraged. Second, great emphasis is placed on balancing interests when specific issues are under consideration. This requires compromise and long-term thinking” (Business Council on National Issues, 1976-1986: 7).

New matters of policy and politics surfaced in the late 1980's and early 1990's. Inspired by previous successes, the BCNI continued to aggressively convey its unified vision to government. It also continued to effectively write policy. In 1987, for example, both the government and the BCNI hired the same person to construct a paper on Canadian defense policy. Predictably, the Council's paper closely mimicked that of the government's own White Paper, likely because the retired general who wrote the policy "just took what he wrote for BCNI and gave it to the government" (Barlow, 1999: 20). In fact, they were so similar that d'Aquino agreed to delay its release for several months so as not to embarrass the Tories (Dobbin, 1998: 173). A few years later, the Council staunchly supported the passage of the Goods and Services Tax (GST). "So powerful was the corporate consensus on this issue that the Conservative government of Brian Mulroney virtually committed political suicide to get it through" (Dobbin, 1998: 172). The BCNI's influence over deficit reduction has also been remarkable, first with the Conservatives and later with the Liberals. According to d'Aquino, when Chrétien was elected "we took [the deficit reduction] campaign in hand, and we scared the hell out of people. We said it over and over again for so long that people began to believe the deficit was really wicked" (cited in Newman, 1998: 159). The deficit scare orchestrated by the BCNI is vividly reflected in public opinion polls. According to a survey by Gallup Canada (1995, vol. 55: 10), in 1992 only three percent of respondents identified 'Government Debt/Deficit' as the country's 'most important problem.' By 1993, just one year later, this number jumped to 20 percent, peaking at 27 percent in 1995. Perhaps most importantly, the BCNI became the pivotal sponsor of free trade, both the original agreement with the United States (FTA) and the North American Free Trade Agreement

(NAFTA). The events leading up to these agreements will be discussed in greater detail in the final section of this chapter.

Obviously, the tremendous success of the BCNI is largely due to its unparalleled ability to forge a business consensus over policy recommendations, and negotiate the necessary compromises to ensure that those recommendations become enshrined in policy. At times, its pressure and influence have lead companies to lobby for positions contrary to their own welfare (such as free trade), which was sometimes accomplished by permeating Canada's other policy organizations and bringing them 'on board.' The elite consensus generated by the BCNI is a powerful ally in its dealings with government. The Council does not simply respond to government initiatives but anticipates issues, making integrated and detailed recommendations to policymakers while the initiatives are still under consideration. Indeed, it has "conducted its affairs with a strategic intelligence that has ... allowed the state to implement a comprehensive corporate agenda while appearing to act in the public interest" (Dobbin, 1998: 178).

Another fundamental lever of its success (and one that is often overlooked) is the extraordinarily high level of class consciousness on the part of its members. A decade ago in an interview with Murray Dobbin, d'Aquino ironically remarked, "[w]henver I look around and see enormous power blocs exercising influence vastly greater than they should and seek to do it consciously, I get very upset" (Dobbin, 1992: 7). To be sure, the BCNI is closely attuned to political sensibilities and careful not to be perceived as simply a creature of the economic elite. The Council's business leaders recognize that they are fighting what amounts to class warfare, and that this takes persistent effort and a keen awareness of public relations. For example, in their tax reform proposals, the Council

aimed to both reward the rich and 'protect' the poor, by lowering taxes at both ends of the spectrum and using tax credits to protect low-income earners. Thus, "[b]y championing the cause of the poor, they appear magnanimous at very little cost to themselves, since most of the reforms they propose would be borne by the middle class" (Langille, 1987: 60). When the Mulroney government attempted to de-index pensions in the late 1980's, there was widespread public opposition. Shortly thereafter, the Conservatives were forced to abandon the initiative, partly because of the public's distaste for the plan but also because the BCNI, normally a supporter of Tory policies, went against the government on this matter. It later turned out that BCNI members did not want an entire program of rollback threatened by any single issue (Archer, Znet web site). A final example of the BCNI's 'sportsmanlike' approach is its dealings with labour. Compared to the Business Roundtable in the U.S., the BCNI has taken a more 'enlightened' attitude towards organized labour. Rather than directly attack the power of trade unions, council members established a dialogue with labour leaders in order that they might become more receptive to concessions and gain a better 'appreciation' of market forces (Langille, 1987: 50).

As the above arguments demonstrate, the BCNI is an incredibly organized and persuasive policy group. Arguably, it has been even more pivotal in Canada than the Roundtable has in the United States. In fact, it may be unique in the developed world in terms of its ability to dominate political life. As d'Aquino boasts, "[n]o business community in the world at the CEO level has taken such an active interest in politics" (cited in Newman, 1998: 159-160). Its non-confrontational, often low-key approach combining "the skills of the senior policy analyst with the sensitivity of a politician" has

helped it to succeed where other organizations fail (Dobbin, 1998: 167). Potent and unrelenting business activism, coupled with a unique ability to forge a sturdy elite consensus, has enabled the BCNI to become an instrument of unprecedented political power.

Other Players in the Network: the Allies of the BCNI

As Dobbin (1998: 178) points out, the BCNI is so dominant in its role of generating elite consensus that its supporting organizations are often overlooked. But Canada's other policy organizations play an important role in the generation of corporate unity, partly because the BCNI has permeated these institutions with its own vision and policy perspective. Three of the BCNI's key allies include the Canadian Chamber of Commerce (CCC), the Canadian Manufacturers and Exporters (CME), and the Canadian Federation of Independent Business (CFIB).

Since 1925, the Canadian Chamber of Commerce has been an influential advocate for business in Canada. The organization confidently describes itself as "the national leader in public policy advocacy on business issues" and "the leading organization that brings all types of Canadian business together to act as a powerful single voice" (CCC web site). Interestingly, it also depicts itself as "non-political." A second ally of the BCNI is the powerful Canadian Manufacturers and Exporters (CME), known as the Alliance of Manufacturers and Exporters Canada until October 2000. This organization has a history that dates back more than 130 years; it was formed through the merger in 1996 of the Canadian Manufacturers' Association (CMA) and the Canadian Exporters Association (CEA). The members of the CME represent 75 percent of the country's manufacturing output and 90 percent of exports (CME web site). Historically, both the CCC and the

CME have had extensive ties to the most successful Canadian corporations (largely through board interlocks) and to the state (Fox and Ornstein, 1986). Finally, the Canadian Federation of Independent Business began in 1971 as a political action organization for small and medium sized businesses. The organization describes itself as “a unifying force for small business” in Canada with “political clout” as its main product (CFIB web site).

Part of the mandate of each of these organizations is to advocate for small and medium sized companies in Canada, ones whose interests often conflict with those of the large corporations. What is worth noting, however, is that the positions advanced by these organizations are nearly always on side with the BCNI, even when it may not be in the interests of the majority of their members. The CFIB, for example, supported free trade from the beginning even though only one-third of its members said they would benefit from the deal (Dobbin, 1998: 179). In fact, there is telling evidence to suggest that Canada’s other policy organizations have been working with the BCNI from the time of its inception. In 1976, one of the founders of the BCNI, William Twaits, remarked that the Canadian Chamber of Commerce and Canadian Manufacturers Association (together with the media) would help to disseminate the Council’s research information to the general public (Davies, 1977: 31). In the 1980’s, thanks to the BCNI, these organizations began to express an increasing degree of unity on many issues despite their somewhat different priorities and power bases (Langille, 1987: 51). One of these issues, arguably the most important, was free trade. The following section will detail the development of free trade policy in Canada, focusing on the impressive alliance of Canada’s policy organizations in the free trade push and the activities of the BCNI.

The Fight for Free Trade in Canada: Elite Cohesion and Political Action

Did corporate political action influence the passage of the North American Free Trade Agreement? If so, how? Dreiling (2000) investigated this question, with a specific focus on corporate actors in the United States. Specifically, he was interested in whether the business leadership which was organized in defense of the agreement was “formed as a result of converging company rationalities, specified by various organizational-interests, or as a result of a much broader, class-wide rationality forged in cohesive associations across the policy formation process” (p. 23). Dreiling’s analysis strongly suggests that the mechanisms and motivations precipitating collective action “were formed within a social milieu best characterized by Useem’s ‘inner circle’ and Domhoff’s ‘policy-formation network’” (p. 43). Here, the question will be addressed within the Canadian context, focusing primarily on the original free trade agreement with the United States (FTA). More than any other political victory by business, free trade fundamentally changed public policy and Canadian democracy. The events that solidified the passage of the FTA in 1988 (and subsequently NAFTA in 1993) offer a compelling example of corporate political unity in action.

The BCNI, headed by Tom d’Aquino, began promoting free trade as early as 1981. At the time there was little interest in the idea within the Liberal and Conservative parties, and a consensus had not yet been reached within the BCNI membership (Dobbin, 1992: 9). Rather than lobby the Liberals directly, d’Aquino began a coordinated corporate campaign to determine the outcome of the Macdonald Royal Commission into Canada’s economic future. Through meetings, presentations, press conferences, and “serious looking documents,” the BCNI convinced the commission that free trade was the most

adept way to deal with American protectionism and the best future economic strategy (Cameron, 1988: 20-21). A few years later the Commission came out in favour of free trade, calling for a “leap of faith” before its own researchers had even completed their work (Dobbin, 1998: 171).⁵ As d’Aquino explains, “[t]he free trade idea didn’t start among the senior civil servants at External Affairs, as they contend. It was ours” (cited in Newman, 1998: 157).

Beginning in 1983, d’Aquino publicly promoted free trade and lobbied aggressively for its support. Further, the Council took a lead role in convincing the Canadian business community to move away from its traditional protectionism. According to Duncan Cameron (1988: 29), those business leaders who did not make the select list of the 150 chief executives were courted with the help of the Canadian Chamber of Commerce. In 1984, a 45 person task force was created by the Canada-U.S. committee of the Chamber of Commerce. The task force included many business titans whose goal it was to garner support from other business leaders on freer trade with the United States. Largely as a result of their efforts, most Canadian business leaders were on board by the mid-1980’s. In fact, “even the brewers and the textile manufacturers were willing to accept trade liberalization, as long as there were ‘appropriate transitional mechanisms’” (Langille, 1987: 67).

Having achieved consensus among the business elite in Canada the next step for the BCNI was to secure the support of the Conservatives under Brian Mulroney (who had

⁵ In concert with the push for free trade, Haddow (1994: 355-356) points out that the Commission also received a detailed report from the Canadian Manufacturers’ Association promoting the replacement of existing social security programs with a neoliberal Guaranteed Annual Income (GAI) plan. This was in addition to testimonies at Commission hearings by the BCNI and the Canadian Chamber of Commerce advocating substantial reductions in social expenditure.

opposed free trade during the 1984 election campaign), and of the U.S. business community and political leadership. In an effort to bring Mulroney on-side, the BCNI utilized the task force it created in 1984. Mulroney proved an easy sell; within a few short weeks of the election he reportedly told d'Aquino that "[i]t's got a lot of appeal and I'm really looking at it with great interest," (Newman, 1998: 157). Just a few months later, he had bought the argument for free trade provided by the BCNI. Following Mulroney's lead, many other high government officials reversed their positions. In a remarkable turnaround, "all the key Tory ministers had suddenly become free traders" (Cameron, 1988: 20). With the support of the Canadian government now all but assured, in March 1985 a group of 17 members of the BCNI traveled to Washington for three days of discussions with American business leaders and government representatives. Although they were originally met with some resistance, the Council eventually won over the Americans. In the months and years that followed, BCNI members would deliver numerous speeches in the U.S. and meet with many key members of the American political elite. The Council would also secure the endorsement of the Business Roundtable and the two organizations agreed to work together in order to expediate the process (Langille, 1987: 68-69). In April, following the Shamrock Summit between Prime Minister Mulroney and President Reagan, d'Aquino pressed Mulroney to push for a comprehensive deal on trade liberalization (Dobbin, 1998: 172).

Although the Canadian government now tacitly supported free trade, they did not want the public to know it. In fact, they thought it best that the public not be informed about the proposed agreement at all. A government document leaked from the Prime Minister's Office in September 1985, revealed the Tory's media communications strategy

regarding the free trade issue. There is no escaping the remarkably anti-democratic thrust of the document:

Our communication strategy should rely less on educating the general public than on getting across the message that the trade initiative is a good idea. In other words, a selling job ... a substantial majority of the public may be willing to leave the issue in the hands of the government and other interested groups, if the government maintains communications control of the situation. Benign neglect from a majority of Canadians may be the realistic outcome of a well-executed communications program (cited in Winter, 1990: 46-47).

Although the identities of the other 'interested groups' were not identified, it is not difficult to surmise who the document was referring to. The government clearly recognized that the initiative was 'politically weak' and that any public support generated for the agreement was likely to rapidly evaporate if the issue was debated openly. They were fearful that most Canadians – when they became aware of the deal – would view free trade as serving the narrow interests of concentrated elite power and not the interests of the majority of Canada's citizens. Partly as a result of these public relations strategies, many Canadians felt confused and uninformed about the issue in the time leading up to its passage (Rick Salutin cited in Winter, 1990: 47).

With the seeds of the agreement firmly in place, the BCNI and its allies stepped up their propaganda campaign. From 1985-1988, the BCNI spent upwards of \$20 million in one of the most powerful lobbying efforts in Canadian history (Newman, 1998: 156). Canada's business community rallied around the Tories, showering them with massive campaign contributions and an unprecedented degree of support. In the two years leading up to the 'free trade election' in 1988, the Conservative government spent an estimated \$32 million promoting the deal, mostly through the International Trade Communications Group in external affairs (Dobbin, 1998: 46). In 1987, the head of this group along with a

member of the BCNI decided that a public advocacy campaign was needed to 'seal the deal.' Once again, the goal of the campaign was not to educate but to implant the idea that free trade would ultimately be beneficial to all Canadians. The campaign was conducted through the 'Alliance for Trade and Job Opportunities,' which consisted of 35 business organizations including the 'Big 4.' The Alliance spent \$6 million in the months leading up to the 1988 election, including \$1.5 million on an insert that ended up in thirty five English newspapers across the country (Dobbin, 1998: 46-47).

Of course, the resources put forward by the Alliance were in addition to the millions more raised by Canada's largest corporations. Some corporations even lobbied their own employees by putting pro-FTA materials in with pay packages and by sending pamphlets to their workers and clients. Crown Life Insurance, for example, went so far as to intimidate their employees with the possibility of plant closures and layoffs if they did not vote for free trade (Dobbin, 1998: 47). Furthermore, journalist Doug Smith argues that Canadian business leaders threatened to strike by withholding capital and investments if the Conservatives were defeated. "Day after day, business leaders were paraded before us, explaining how they would be forced to rethink their investment plans unless the FTA was approved." Smith also added that "they appeared to have almost unlimited access to the media" (cited in Winter, 1990: 67). The degree of elite consensus in the free trade battle was quite remarkable, thanks mainly to the BCNI and its allies. In fact, it was so powerful that some of the corporations whose interests were harmed by free trade were said to have 'fallen on their swords,' sacrificing themselves for the overriding principles of corporate domination (Dobbin, 1998: 178).

When Mulroney won the election in 1988 and the FTA was passed, Canada's policy organizations immediately turned the agreement into a weapon to be used against social programs. According to the Canadian Centre for Policy Alternatives (1996), within just a few weeks after the election the BCNI, CCC, and CMA all began to lobby for harsh spending cuts. The chair of the CMA, for one, insisted that every federal and provincial program be re-examined and recommended the elimination of those programs that might impede competitiveness (p. 17). Their recommendations did not go unnoticed. Mulroney's first free trade budget included a series of severe cuts to old age security, Unemployment Insurance, health and education.⁶ In the years that followed, while other people were debating with the Tories over free trade, social programs and other matters, d'Aquino was quietly briefing the opposition Liberals on the NAFTA issue – most likely because he was aware that the Conservatives would probably not win the next election (Cameron cited in Dobbin, 1998: 174). Roy MacLaren, Chrétien's trade critic in opposition (eventually minister of international trade), worked especially close with d'Aquino to develop a position on NAFTA that would appease 'social Liberals' while maintaining the agenda of the economic elite. Many Canadian corporations were active in the fight, as were, once again, the BCNI's policy allies.⁷

In the mid-to-late 1990's, the BCNI and its allies began to quietly advance the

⁶ Of course, this was just the beginning of a torrent of negative developments resulting directly or indirectly from free trade. They included a sharp decline in average income and purchasing power, the deterioration of social programs, a considerable rise in poverty and inequality, and dramatic job losses. As Dobbin (1998: 248) points out, between 1988 and 1996, thirty-three BCNI corporations eliminated 216,004 jobs, on average a cut of 35 percent of their workforces. Their revenues would increase by 34 percent during the same period.

⁷ Meanwhile, in the United States the Business Roundtable was lobbying vigorously for NAFTA in concert with hundreds of large corporations (Dreiling, 2000). They were joined in the battle by the U.S. Chamber of Commerce, the National Association of Manufacturers, the National Foreign Trade Council, and the U.S. Council for International Business, among other groups (Sklair, 2001: 101).

Multilateral Agreement on Investment (MAI). The MAI is an international trade agreement (more accurately, an investors' rights agreement) which seeks to extend the principles of free trade and corporate-led globalization around the world. In effect, the agreement grants corporations the power of nation states but without any accountability, and compromises the capacity of any government to impose labour laws, environmental standards, or other regulatory policies that might benefit its people.

The planners of the MAI have attempted to keep it secret, exhibiting the same anti-democratic mentality that motivated the Mulroney government to keep the public uninformed about the FTA. Of course, while the Canadian public was being kept in the dark, the Liberals were diligently briefing Canadian policy organizations (and the corporations they represent) about the deal. Another clear sign of their commitments came in the late 1990's when the Liberals flatly refused to make public the names of the corporations who – through committees – had been advising the government on the issue. According to Alan Rugman, a University of Toronto business professor who prepared a background study on the MAI for the OECD, “[t]here are Canadian fingerprints all over the MAI. The untold story is that we are the real heroes getting it going” (cited in Dobbin, 1998: 114).

The same kind of anti-democratic sentiment was evident in the United States. In reaction to inquiries from Congress and to public protests the U.S. government eventually issued a statement on the MAI. Essentially, they said ‘not to worry’ and that all of the ‘domestic constituencies’ who have a stake in the MAI had already been consulted.

Chomsky comments on the implications:

So, the public isn't a constituency. Congress isn't a constituency. But the U.S. Council for International Business is. They were informed all the way and were

intimately involved. The corporate sector was involved. The White House is telling us plainly and clearly who their domestic constituencies are. It's very rare that political leaders are so frank in such a clear and vulgar fashion about exactly the way they perceive the world (cited in Chomsky and Barsamian, 2001: 9-10).

Obviously, both the Canadian and American governments understood the profound importance of keeping the public uninformed and operated under the assumption that policy be designed and executed by those in positions of elite power, without scrutiny.

Yet, despite the persistent efforts to keep the MAI concealed and push it through without public knowledge, pressure in the form of public interest groups, NGO's and grassroots activists eventually halted the deal. Canada was the one country where the issue largely broke through the attempted cover-up and entered the public arena. These efforts represent an extremely important victory by citizens around the globe as they confronted "the most concentrated power in the world, the richest, most powerful countries, transnational corporations, international financial institutions, and close to total control of the media. That's a consolidated power of a kind that you can't find in history" (Chomsky cited in Chomsky and Barsamian, 2001: 5). Nevertheless, public ferment and grassroots activism was able to stop it – something that could not be accomplished with the FTA and NAFTA.

In the opening paragraph of this section, it was asked whether Canadian business leadership in support of free trade formed as a result of converging company rationalities, or as a result of a much broader, class-wide rationality forged in business associations. The evidence presented here seems to provide a clear answer. The motivations that precipitated collective action and political unity only partly resided in the organizational interests of corporations. For the most part, these motives were formed through the activities of Canada's policy organizations and 'inner circle' business leaders. That some

corporations sacrificed their interests and supported the deal speaks to that conclusion, as does the fact that all four major policy organizations were united despite the particular interests of many (if not the majority) of their members. The achievements of the BCNI and its allies in forging a robust elite consensus around such an important piece of legislation confirms the importance of elite cohesion and class-wide rationality in the policy formation process. Their influence will be felt for many years to come, pushing us to “commit ourselves to a national effort that will require changes in attitude, policies, and behaviour on a scale even greater than those involved in embracing free trade” (d’Aquino, 2000: 5).

Chapter Six: Think-Tanks

The BCNI and its policy allies were not the only participants in the business-led coalition to promote free trade. They were supported by another set of players within the policy-formation network; namely, a group of high profile think-tanks which are directed and funded by the economic elite. Corporate think-tanks are tightly linked to Canada's policy organizations and a few of the largest – most notably the C.D. Howe Institute – aid the BCNI in its consensus formation project. Yet, the large corporate organizations are by no means the only kind of think-tanks in Canada. As a whole, think-tanks are a highly diversified group of institutions. They vary considerably in size, resources, research focus, ideological orientation, and quantity of output. Their memberships range from a handful of people engaged in one specific policy area, to dozens of economists, statisticians, and researchers providing commentary and analysis on a broad range of issues. Despite their considerable diversity, all think-tanks share a few defining features. First, they generally are non-profit, non-partisan organizations whose primary interest is public policy research, and who actively seek to influence the policy-making process. Second, they attempt to mould public opinion and the intellectual climate in which decision-makers operate. Many are supported in this work by foundation grants, corporate donations and government contracts.

Think-tanks qualify for non-profit status by defining themselves as educational organizations, with a commitment to increase public awareness about policy issues. To obtain tax-exempt status, they must also remain non-partisan (Abelson, 2002: 9). In other words, while they are not prohibited from taking ideological positions on matters of policy, think-tanks cannot publicly support or oppose any political party. While think-

tanks are not prohibited from providing expertise or advice to politicians and government officials, they must refrain from engaging in *overt* political activities. Needless to say, the line between what constitutes candid political activities and what does not is murky at best. Although they must remain at arms length from the party system, this has not stopped some of the largest organizations (like the Fraser Institute, C.D. Howe Institute, and Conference Board) from forming a dense collection of ties to the Canadian state (Fox and Ornstein, 1986: 491).

The Rise of Advocacy Think-Tanks in Canada

In recent research, Abelson and Carberry (1998) and Abelson and Lindquist (2000) discuss separate 'waves' of think-tank growth in Canada. The first wave occurred in the early 1900's with the establishment of a handful of groups concerned with domestic and foreign policy. The second wave took place following the second world war. During this timeframe the Canadian Tax Foundation was formed in 1946 and a branch office of the Conference Board established in 1954. In the 1960's, the Canadian government created several government contractors including the Economic Council of Canada (1963), the Science Council of Canada (1966), the National Council of Welfare (1968) and the Law Reform Commission of Canada (1970) to advise it on key policy issues.¹

The third wave of think-tank development occurred in conjunction with the international corporate offensive of the early 1970's. There was a growing view – particularly amongst business leaders – that alternatives to government-sponsored policy

¹ As part of the first round of serious budget cutting in 1992, the Mulroney government eliminated the Economic Council of Canada, the Science Council of Canada, and the Law Reform Commission of Canada.

work was needed and that Canada should follow the United State's lead in this respect. Furthermore, the business community actively sought organizations to facilitate corporate unity on important issues of public policy. To accomplish these goals, a host of 'advocacy think-tanks' were established, referred to as such because of their "ideological derived policy agendas" (Abelson and Lindquist, 2000: 42). These organizations more closely resembled interest groups than traditional think-tanks, due to their firm ideological commitments and 'blurry' distinctions between policy research and political sponsorship. According to Abelson and Carberry (1998: 538),

Unlike traditional policy research institutions, advocacy think-tanks are not driven by an intense desire to advance scholarly research. On the contrary, their primary motivation is to engage in political advocacy. In short, they do not covet attention in the scholarly community, but are deeply committed to imposing their ideological agenda on the electorate.

Since the early 1970's, several such institutes have surfaced in Canada. Some of these include the Canada West Foundation (1971), the Institute for Research on Public Policy (1972), the Fraser Institute (1974), the Canadian Institute for Strategic Studies (1976), and the Canadian Institute for Economic Policy (1979). Around the same time, other organizations underwent significant transformations. For example, the C.D. Howe Institute was created in 1973 following a merger of the Private Planning Association with the C.D. Howe Memorial Foundation, and today is one of Canada's most effective advocacy groups. As well, the Montreal office of the New York based Conference Board was moved to Ottawa in 1971, leading to the rapid growth of business-orientated research (Abelson and Lindquist, 2000: 43). While the Conference Board is not an advocacy think-tank per se, it does occupy an important niche within the neoliberal policy spectrum through its provision of market-orientated research and other services (Carroll and Shaw,

2001: 198-199). More recently, in 1994, the Atlantic Institute for Market Studies (AIMS) was formed. Although much smaller, the AIMS is an advocacy-style group with a similar mandate to the Fraser Institute. Table 6.1 presents a listing of major Canadian think-tanks. It includes the location of their head offices, the year each was founded and their approximate operating budgets.²

The new breed of advocacy think-tanks developed innovative political strategies with the intent to influence policy-makers and the public. One of their most common strategies has been to increase the exposure of policy issues through well-publicized seminars or conferences. These forums bring together academics, journalists, corporate representatives, government officials, and the public to discuss timely issues. In discussing this strategy, Abelson (2002: 75) notes that it was successfully employed by the Fraser and C.D. Howe Institutes to harvest support for free trade. Some think-tanks encourage their members to give lectures at universities and other venues (a strategy often used by Fraser Institute head Michael Walker), while others rely on scholarly journals, books, opinion magazines, newsletters, and websites to reach their target audiences (Abelson, 2002: 76). Through their high volume of research output, think-tanks provide an aura of intellectual legitimacy to capitalist policy prescriptions. Often, they utilize a more formal avenue of influence and offer testimony before parliamentary committees. Providing testimony – especially to a high-profile committee – can generate

² Of course, not all think-tanks to emerge in the 'third wave' sought to advance a corporate agenda. The Canadian Centre for Policy Alternatives (CCPA), for example, was established in 1980 by supporters of the union movement and others to counter the influence of the Fraser Institute. Since its inception, the CCPA has provided invaluable research and commentary on a wide range of social and economic issues. Its participants share a common commitment to oppose the corporate-driven policy agenda in Canada and abroad.

Table 6.1
Selected Profiles of Canadian Think Tanks, in Chronological Order

Institution	Location	Date Founded	Budget Category 1999-2000 (\$ millions)
Canadian Council on Social Development	Ottawa	1920	1.5 — 3
Canadian Institute of International Affairs	Toronto	1928	.5 — 1.5
Canadian Tax Foundation	Toronto	1945	2 — 5
Atlantic Provinces Economic Council	Halifax	1954	under 1
Conference Board of Canada	Ottawa	1954	over 10
Science Council of Canada*	Ottawa	1963	2 — 5
Economic Council of Canada*	Ottawa	1963	over 10
Vanier Institute of the Family	Nepean	1965	under 1
National Council on Welfare	Ottawa	1968	under 1
Parliamentary Centre	Ottawa	1968	.5 — 1.5
Canada West Foundation	Calgary	1971	.5 — 1.5
Institute for Research on Public Policy	Montreal	1972	2 — 3
C.D. Howe Institute	Toronto	1973	1.5 — 3
The Fraser Institute	Vancouver	1974	1.5 — 3
Canadian Institute of Strategic Studies	Toronto	1976	under 1
The North-South Institute	Ottawa	1976	1.5 to 3
Canadian Centre for Policy Alternatives	Ottawa	1980	.5 — 1.5
Canadian Centre for Philanthropy	Toronto	1981	2 — 3
Canadian Institute for International Peace & Security*	Ottawa	1984	5 — 10
Mackenzie Institute	Toronto	1987	under 1
Public Policy Forum	Ottawa	1987	1 — 2
Institute on Governance	Ottawa	1990	1 — 2
Caledon Institute on Social Policy	Ottawa	1992	1 — 2
Pearson-Shoyama Institute	Ottawa	1993	under 1
Canadian Policy Research Networks Inc.	Ottawa	1994	2 — 3
Atlantic Institute for Market Studies	Halifax	1994	under 1
Canadian Council for International Peace & Security*	Ottawa	1995	under 1
Canadian Centre for Foreign Policy Development	Ottawa	1996	2 — 5

* Represents defunct think-tanks; data come from most recent figures available

Adapted from: Donald Abelson (2002), *Do Think Tanks Matter? Assessing the Impact of Public Policy Institutes*: pp. 26-27

considerable influence among policy-makers.³ Yet, of all the political strategies mentioned above, none is more visible or more effective than securing consistent access to the media. Before moving on to discuss the media's relationship with Canadian think-tanks, four of today's most prominent corporate-driven institutes will be analyzed in some detail: the Fraser Institute, the C.D. Howe Institute, the Atlantic Institute for Market Studies, and the Conference Board. These four organizations have been characterized as 'sites of business activism' which have contributed to the consolidation of neoliberal hegemony in Canadian public policy (Carroll and Shaw, 2001: 195). In concert with policy organizations like the BCNI, they have served to advance a common policy consensus within the business community and fundamentally alter Canada's political landscape. For these reasons, they comprise the primary focus of this chapter. It is to an explanation of the backgrounds and activities of these institutes to which the discussion will now turn.

The Fraser Institute

Business leaders in British Columbia were irritated when the province's first NDP government was elected in 1972. One of these leaders was T. Patrick Boyle, a senior executive and then vice-president of planning at MacMillan Bloedel. Immediately after the NDP entered office, Boyle sought council on how to bring about the new government's demise. To this end, he met with several other business executives and economists, including Michael Walker (current head of the Institute who worked for the federal finance department at the time). Walker managed to convince Boyle and 15 other mining executives to invest \$200,000 in the establishment of an economic and social

³ See Abelson (2002: 113) for a breakdown of appearances by select Canadian think-tanks before parliamentary committees from 1980 to 1999.

research institution that would 'educate' Canadians about the crucial role of markets in economic development and prosperity. Walker also worked closely with the business leaders to draft the Institute's mission statement and operating plan. According to Dobbin (1998: 188), "[w]hile a think-tank was not an ideal way to deal with the immediate problem of getting rid of the NDP government, Boyle and his mining-executive friends were apparently willing to take the long view" – highlighting, once again, the far-sighted and class-based orientation of Canadian business leaders.

Like most think-tanks in Canada, the Fraser Institute was initially pre-occupied with staying afloat, but as its directors became more adept at fundraising and recruiting new members it grew quickly in size and visibility. By the mid-1980's, the Institute had an annual budget of over \$1 million and a staff of 18, thanks to the support of over 400 corporations and prominent right-wing business leaders such as Conrad Black (Hackett and Zhao, 1998: 101). Carroll (1989: 102) reports that the number of dominant corporations interlocked with the Fraser Institute's board of directors more than tripled between 1976 and 1986. The revenues and membership of the Institute continued to grow steadily into the 1990's. By the latter part of the decade, its annual income totalled well over \$3 million and its overall membership (corporations, foundations, and individuals) increased from 521 in 1983 to more than 1200 in 1997 (Carroll and Shaw, 2001: 201). Since 1997, its revenues have shot up rapidly; today, they sit at over \$5 million (Fraser Institute web site, 2002 Financial Statements).

The Fraser Institute is unquestionably the most advocacy-orientated think-tank in Canada. Much like its sister organizations in the United States – such as the American Enterprise Institute and the Heritage Foundation – the Institute places great emphasis on

shaping public opinion and public policy. Since its inception, it has worked tirelessly “to secure a hegemonic position for ‘free market’ principles in the economic, political, and social domains of Canadian society” (Carroll and Shaw, 2001: 201). A primary lever of its success in this regard has been its ability to manipulate the political culture. While the Institute has had less immediate policy input at the federal level than the more ‘mainstream’ institutes, it has found other channels of influence. Cameron (1997: 13) tells us that what the Fraser Institute has lacked in direct influence it has made up for by “pushing the limits of acceptable discourse well to the right, and in creating more space and legitimacy for neoliberalism.” Ironically, this change in Canada’s ‘ideological fabric’ spearheaded by the Fraser Institute is reflected in the media’s portrayal of the Institute itself. Its ideas and policy initiatives have moved from the extreme-right fringe to the centre, as market solutions become increasingly viewed as conventional wisdom and ‘common sense.’ According to Marjorie Cohen (1995: 30),

the Fraser Institute’s image shifted from a comic example of ultra-right hyperbole to the representation of reason, responsibility and authority on economic and social issues. No longer is its almost daily reference in the media prefaced with ‘right-wing think-tank.’ The right has become the norm and the [Fraser Institute] is now as respectable as the Conference Board and the C.D. Howe Institute.

The Fraser Institute has propagated its neoliberal agenda in a number of innovative ways. To start, its active research program has resulted in the publication of dozens of books and studies, as well as a monthly opinion journal called the *Fraser Forum*. Over the years, its highly motivated staff have produced hundreds of op-ed articles and delivered countless speeches on a wide range of topics. Many of these resources have been used by government officials – particularly members of Canada’s

Reform party – for their policy positions and government critiques. For example, Dobbin (1998: 194) points out that during the 1993-1997 Parliament, 22 of the 51 Reform MP's used Institute materials for their speeches.⁴ In fact, the Institute even provides special seminars for MP's as well as a 'hot line' they can phone to get "direct personal assistance." Because it recognizes the importance of training a future generation of right-wing thinkers, the Institute also sponsors a host of student programs,⁵ and distributes 20,000 free annual copies of its newsletter, *Canadian Student Review*, to universities across the country (Dobbin, 1998: 193).

To reach the largest audience possible, the Fraser Institute regularly holds conferences that are accessible to policy-makers and the public at large. Sometimes these conferences play host to a global audience. One of the Institute's recent global initiatives is the development of the 'Economic Freedom Index,' which is an international measurement system to assess the implications of government actions on 'economic freedom.' According to Dobbin (1998: 189-190), countries that promote social equality and the basic needs of their citizens are given demerits because these policies supposedly infringe upon the freedom of investors. In 1996, the Institute hosted a conference in San Francisco which provided 'ideological training' in the use of the index for participants of 37 countries.

The profound impact of the Fraser Institute in shaping Canada's political and economic landscape is well recognized within Canada and in other countries. Influential

⁴ As mentioned above, think-tanks are prohibited from supporting or endorsing a political party. While there may be no formal links to the Reform party, there are conspicuous parallels between the Institute's views and the party's political platforms. In addition, a number of years ago Institute economist Herbert Grubel won a Reform party seat in Vancouver, prompting allegations of impropriety.

⁵ Examples of Fraser Institute student programs include Student Seminars on Public Policy Issues, Student Leaders' Colloquia, the *Canadian Student Review* quarterly newsletter, an internship program, and student bursaries (Carroll and Shaw, 2001: 213).

economist Milton Friedman stated that “the Fraser Institute has become a remarkably influential think-tank: one of the most influential in the world.” Similar sentiments are echoed by former British Prime Minister Margaret Thatcher, who said that the Institute’s “great work ... has had a tremendous influence” (both cited in Abelson, 2002: 86). Indeed, the importance of the Institute can hardly be overstated, and it is likely to push its radical version of corporate libertarianism well into the future.

The C.D. Howe Institute

Few think-tanks in Canada have attracted more attention in policy-making circles than the C.D. Howe Institute (CDHI). The Institute’s predecessor was the Private Planning Association of Canada (PPAC), founded in 1958 by business and labour leaders to undertake research on economic issues and Canadian-American relations. In the early 1970’s, PPAC President Robert Fowler sought to expand the Association’s advocacy role and “permanently transform the organization into a short-term policy analyst of Canadian economic policy” (Ernst, 1992: 121). The expanded mandate required additional resources; in 1973 the PPAC merged with the C.D. Howe Memorial Foundation (which supplied a \$2 million endowment) to become the C.D. Howe Research Institute.

With the injection of new money, the CDHI was able to hire permanent research staff and to finance ongoing policy initiatives. Carl Beigie was hired as Executive Director along with a number of young economists, such as Judith Maxwell, who later became Chair of the Economic Council of Canada. Under Beigie’s leadership, the Institute soon became “an active and media-conscious policy advocate” (Ernst, 1992: 121). In addition, its policy approach changed from valuing Keynesian economic policies and promoting goals such as full employment and social program enhancement, to one

that reflected “the emergence of a vigorous business agenda in Canada” (Carroll and Shaw, 2001: 199).

By the 1980’s, the CDHI had turned against Keynesian policies entirely and its advocacy efforts became predictably orientated to the interests of Canada’s economic elite. Overseeing the continuing shift to the right was new Executive Director Wendy Dobson, who replaced Beigie in 1981. A few years later, the Institute was openly lobbying Ottawa “to pursue free trade with the U.S. and urging all governments to attack deficits through massive cuts to social spending” (Dobbin, 1998: 180). Indeed, the Institute assumed its most active political role during the free trade debate, emerging as a vocal and effective ally of the BCNI and other business coalition members. A significant study prepared by the Institute called *Taking the Initiative*, along with lobbying efforts by staff (particularly Dobson and policy analyst Richard Lipsey) were critical in convincing many senior ministers and bureaucrats to support the free-trade deal with the United States (Ernst, 1992: 132). The CDHI continued to be active and highly visible throughout the 1990’s, endorsing measures such as privatization, the reduction of social programs, and NAFTA.⁶

While the CDHI has not matched the tenacious advocacy of the Fraser Institute, it has been extraordinarily prolific and highly influential in business and government circles. It has published hundreds of studies on virtually every major government policy initiative of the past few decades. According to Abelson (2002: 185-186), the CDHI devotes 90 percent of its multi-million budget to research, and evaluates its impact

⁶ The Institute’s sweeping mandate is vividly summarized in a 1994 report called *The Case for Change: Reinventing the Welfare State*. As policy analyst David Brown notes in the report, “the structural changes Canada is undergoing are so fundamental as to require that the social contract be rewritten ... the old social contract has been rendered obsolete by global events” (Watson, Richards and Brown, 1994: 116, 122).

according to the contribution it makes to public policy debate. To help publicize its views, the Institute and its committees organize speaking engagements, meetings, and conferences involving business leaders and academics from Canada and around the world. Clearly, the CDHI is not simply a diligent research organization; it actively pressures decision-makers and unifies their perspectives by “[providing] a forum in which they can interact, and mix vigorously” (C.D. Howe Institute, 1997 Annual Report: 6).

Much like the BCNI, the C.D. Howe Institute can be described as a ‘moderate’ organization; that is, it tends to offer policy proposals that are politically sensitive and couched in the ‘objective’ language of mainstream economics (Ernst, 1992: 134). Positioning itself as less ideologically committed and more impartial than the Fraser Institute, it provides an air of intellectual legitimacy to neoliberal, free-market ideologies and legislation. Also like the BCNI, the Institute takes on the dual responsibility of building an elite consensus and changing the political culture to reflect it. According to Dobbin (1998: 179), “[i]t has played a major role in bringing key elements of the elite inside, including senior public policy makers at all levels.” Interestingly, the Institute is touted as an ‘independent’ think-tank yet is almost entirely funded by corporate Canada and has a membership dominated by many of the same corporate giants who make up the BCNI. A detailed breakdown of the Institute’s extensive ties to the economic elite via board interlocks can be found in Appendix A.

While the proposals and strategies of the Fraser Institute and C.D Howe Institute are somewhat different, they both work to advance the same market-driven corporate

agenda. Their discrete political niches complement each other, coming together to provide an effective 'one-two punch' in Canada's public policy terrain.

The Atlantic Institute for Market Studies

The Atlantic Institute for Market Studies (AIMS) was founded in 1994 with a three-year start up grant from the Donner Canadian Foundation. Based in Halifax, the advocacy-style group seeks to generate market-orientated solutions to the problems facing Canadians, with a specific focus on citizens in the Atlantic provinces (Abelson and Lindquist, 2000: 56). Carroll and Shaw (2001: 202) notes that in "its ideological discourse, mandate, structure, and modus operandi, AIMS is a much smaller, east-coast version of the Fraser Institute." Like other think-tanks, the AIMS organizes and sponsors conferences, meetings, seminars, roundtables, lectures, and training programs. It also publishes an e-mail newsletter, an analysis benchmarking regional competitiveness, a debt and deficits workbook, a collection of books and research papers, and prepares and distributes educational materials (AIMS web site). One of the AIMS's more popular initiatives in recent years has been its promotion of the 'charter schools' movement; an example of what its president calls "planting seeds" which take hold and "continue to sprout and grow" throughout society (cited in Carroll and Shaw, 2001: 203).

The Conference Board of Canada

The Conference Board is the largest think-tank in Canada, whose staff and revenues are formidable enough that they rival many large American organizations. Its origins date back to 1954, when the New York based Conference Board opened an office in Montreal to serve its Canadian clients. The office was moved to Ottawa in 1971, under a new president, where the branch grew rapidly in size and output (Lindquist, 1998: 128).

Unlike the other organizations profiled in this chapter, the Conference Board is *not* an advocacy think-tank. Nevertheless, it does play a useful political role. Carroll and Shaw (2001) argue that there are two ways in which it occupies a position within the neoliberal policy spectrum. First, it provides the “ideological toolkit of neoliberalism;” that is, the large body of research output offers a ‘technocratic’ and seemingly objective perspective on policy issues “organized predominantly around discourses of public choice political analysis and neoclassical economics” (p. 198). Second, the organization’s broad social agenda is reflected in its global economic strategies. At the centre of the Board’s prescription for the Canadian political economy is the restructuring of organizational, social, and economic policy to enhance capital’s competitiveness and profitability.

Thus, while the Conference Board avoids producing specific policy prescriptions, it supplies the elite with a large body of information on policy issues which assumes a business-orientated framework. The research produced has wide-ranging influences within academia, the state, and the corporate sector (Carroll and Shaw, 2001: 197). Aside from providing members with access to publications from its wide variety of research centres, the Conference Board sponsors a large number of conferences, seminars, courses and other events on a regular basis. Many of these events bring high-level executives together to discuss strategies and tactics. The sheer size and quantity of the Board’s output has made it an invaluable resource for the economic elite and the mass media.

Inside the Corporate-Elite Network

Media Coverage and Exposure

While it is difficult to determine the extent to which think-tanks have been able to influence public policy, some indicators do permit us to assess their involvement and

degree of visibility in the political arena. One such indicator is media coverage. Think-tank directors will try to ensure that they are regularly cited in the print and broadcast media, as they commonly equate media exposure with policy influence. Abelson (2002: 82) contends that, “[a]t the very least, media exposure allows think-tanks to plant seeds in the mind of the electorate that may develop into a full-scale public policy debate.” The media not only disseminates the ideas of institute scholars, it also gives the organizations a higher public profile and helps to advance their broader political agendas.

The Fraser Institute is one prominent think-tank that equates media exposure with policy influence: its trustees are particularly conscious of how much coverage it generates. The Institute regularly holds news conferences, issues news releases, and willingly provides interviews. According to Dobbin (1998: 192),

Its fax news-broadcasting operation sends a two-page news sheet to 450 radio stations every week. It provides packaged editorials for newspapers and radio designed to explain the merits of the free-market system, issue by issue. As well, its seminars are extensively covered by cable stations, which gave it 105 hours of coverage in 1996.

Staff at the Fraser Institute are also interested in the amount of media exposure that other organizations are able to generate, and in the kinds of issues that tend to attract media coverage. To this end, the Institute’s National Media Archive (NMA) was founded in 1987 and given an annual budget of \$200,000. The NMA maintains a live database of news and public affairs programming on CTV and the CBC. Through its monthly newsletter *On Balance*, the NMA claims to objectively examine the extent to which media coverage of public issues is ‘balanced’ and free from bias (Hackett and Zhao, 1998: 101-102). Of course, those in charge of the Fraser Institute do not consider concentrated media ownership to affect this ‘balance.’ According to Lydia Miljan, director of the

NMA, “[o]wnership has very little to do with the output of newspapers” (cited in Grace, 2001: 13). One of the Fraser Institute’s most popular and widely-covered media stunts is its annual announcement of ‘Tax Freedom Day,’ which they define as the day in the year when the average family has earned enough money to pay its total tax bill to all levels of government.

To be sure, not all think-tanks receive the same degree of media access. Large organizations with diverse research programs and dozens of staff members are obviously in a much better position to attract the media’s gaze than are smaller, narrowly-focused groups. Data provided by Abelson (2002: 98-99) reveal that with few exceptions the print and broadcast media in Canada disproportionately rely on the same group of institutes. Table 6.2 displays the number of media citations in newspaper, radio, and television for selected Canadian think-tanks. Four institutes – the Conference Board, the Fraser Institute, the C.D. Howe Institute, and the now defunct Economic Council of Canada – generated the majority (60 percent) of all media citations between 1980 and 1999. The Conference Board alone received close to 25 percent of all coverage, which is not surprising given the size and range of its research program. Part of this disparity may result from the fact that these groups are very predictable in their values and orientations, making them ‘reliable’ sources of information. Unquestionably, much of it emerges from the parallel orientations of corporate think-tanks and the corporate media. The preceding discussion demonstrates that the media appears to be ‘right at home’ with the neoliberal policy agendas of the institutes in question.

Other research has yielded similar conclusions. For example, News Watch Canada analyzed coverage in 14 daily newspapers, as well as CBC television and CTV

news broadcasts. It found that right-wing think-tanks, like the Fraser Institute and C.D Howe Institute, received more than three times as much news coverage as left-wing

Table 6.2
Media Citations for Selected Canadian Think Tanks 1980-1999

	News- paper Total	Globe and Mail	CBC Radio	CBC TV News	CTV News	Total
Conference Board of Canada	6,289	2,204	18	57	59	8,627
Fraser Institute	3,790	761	58	47	27	4,683
C.D. Howe Institute	3,053	1,290	110	55	45	4,553
Economic Council of Canada	2,033	1,318	43	40	17	3,451
Canadian Tax Foundation	999	473	8	22	4	1,506
Science Council of Canada	714	618	14	12	4	1,362
National Council on Welfare	952	286	13	13	9	1,273
Canadian Council on Social Development	885	354	10	19	4	1,272
Institute for Research on Public Policy	747	347	10	3	2	1,109
Canada West Foundation	824	210	14	16	5	1,069
Canadian Institute of Strategic Studies	770	162	27	33	15	1,007
North South Institute	497	279	12	3	0	791
Canadian Centre for Policy Alternatives	629	118	21	13	4	785
Canadian Institute for International Peace & Security	558	119	7	10	3	697
Public Policy Forum	490	91	2	1	0	584
Caledon Institute of Social Policy	381	124	21	5	0	531
Canadian Institute of International Affairs	360	159	2	5	3	529
Mackenzie Institute	291	42	18	7	8	366
Canadian Policy Research Networks	136	60	0	2	1	199
Pearson-Shoyama Institute	154	21	10	0	0	185
Parliamentary Centre	60	30	2	0	0	92

Adapted from: Donald Abelson (2002) *Do Think Tanks Matter? Assessing the Impact of Public Policy Institutes*: pp. 99-100.

institutes, such as the CCPA (discussed in Taras, 1999: 211). Another study by the Canadian Press wire service reports an even more extreme balance; during a one-year period the Fraser Institute was quoted in 140 'economic stories,' while the CCPA was quoted in just 16 (Hackett and Zhao, 1998: 158). In 2000, the CCPA's NewsWatch Monitor examined right and left-wing think-tanks as sources in seven Canadian dailies during February and March of 1998. They discovered that right-wing institutes were cited 304 times, with those on the left receiving only 78 mentions (for a ratio of nearly four to one). The Monitor also contends that The National Post "rolled out the red carpet" for the Fraser Institute, mentioning it in 60 articles, perhaps because Fraser Institute trustee David Radler was president of the National Post at the time (Gutstein, 2000: i).

The special receptivity of the media to the Fraser Institute is not surprising. Large media institutions in Canada have played an important role in funding it over the years, including Sterling Newspapers, Southam, Thomson Newspapers, and Standard Broadcasting (Dobbin, 1998: 192). Penney Kome (2002: 2) reports that in 2001, there were more than 4000 media stories on the Institute overall, which its staff calculated as an estimated \$10 million worth of 'ad equivalency.' The media's willingness to utilize the Fraser Institute as an information source comes in spite of the Institute's persistent inclination to make claims that are unsubstantiated or even flatly contradicted by available data (Dobbin, 1998: 196).

Direct Ties to the Economic Elite

Pluralists characterize think-tanks as simply one of many voices in the policy community. Like other social interest groups, they must compete for the attention of policy-makers. In contrast, instrumentalists and elite theorists see think-tank leaders and

senior analysts as important elements of elite networks. They regularly interact with business elites and help comprise a nation's power structure. Likewise, instrumentalists and elite theorists would argue that the close ties between think-tanks and wealthy corporate and foundation donors play a valuable role for the elite. Using this framework, it is argued here that this role is twofold. First, think-tanks help business leaders to establish class cohesion and a common policy perspective. This is largely accomplished by setting up regular meetings or roundtables between different sectors of the business community. Second, think-tanks provide the elite with direct and indirect channels of policy influence within the state, political system and civil society.

Major Canadian think-tanks derive a substantial proportion of their operating budgets from corporate and foundation grants. For example, according to the Fraser Institute's 2002 Annual Report, the institute received 63 percent of its donations from foundations, 29 percent from 'organizations' (i.e. corporations), and eight percent from individuals in 2001 (Fraser Institute web site). Another example is provided by Abelson and Lindquist (2000: 52) who note that in 1997, the C.D Howe Institute received 82 percent of its funding directly from corporations. While these institutes do not release the details of their incoming donations, many of their largest backers are represented on their boards or membership lists.⁷ In fact, the C.D Howe Institute has a separate 'corporate membership list' which displays literally hundreds of powerful corporate supporters, some of whom represent the BCNI.

⁷ During the course of this investigation, a representative of the Fraser Institute stated that due to 'certain unpleasant instances' that have occurred to their supporters in the past, the institute no longer discloses the identities of corporate sponsors. According to Dobbin (1998: 186), more than half of the top 100 most profitable corporations in Canada have contributed to the Fraser Institute. He obtained this information through a list of corporate donors published by the Institute in 1989, a practice that has not been repeated since. In the correspondence, the representative also lamented the fact that this policy has not stopped some of their supporters from being 'harassed.'

There is little doubt that the values and policy preferences of wealthy sponsors set definable limits on the range of policy ideas recipient think-tank can advocate. In exchange for large donations, think-tanks are generally willing to advance the political agendas of their benefactors. Commenting on the C.D. Howe Institute's efforts to promote privatization, Cameron (1997: 13) points out that it "produced reports and commissioned academic studies that provided background for the perspective advanced by the CEO's who funded the Institute and served on its policy committees." Although donors do not usually dictate specific research or advocacy preferences,⁸ their capacity to withdraw monetary support (and ability to influence others to do the same) acts as a powerful constraint. Details of foundation support are easier to access than is direct corporate patronage. A breakdown of foundation grants to the Fraser Institute, the C.D. Howe Institute and the AIMS will be outlined in the next chapter.

In addition to funding, another source of ties between think-tanks and the economic elite is overlapping board memberships. In a study of elites in the post-war period, Fox and Ornstein (1986: 501) found that many of Canada's most prominent think-tanks were dominated by the top levels of the corporate establishment. As evidence, he cited the substantial degree of overlap between the institutes' boards and those of Canada's largest corporations. The practice he observed is still commonplace. Carroll and Shaw (2001) looked at the overlapping boards of the top 250 Canadian corporations (specifically, the 50 largest financial institutions ranked by assets and 200 largest non-financials ranked by revenue) and major Canadian policy groups in both 1976 and 1996. In 1976, his sample of policy groups included the BCNI, the Fraser Institute, the C.D.

⁸ Occasionally, donations *are* tied to specific advocacy efforts, such as when the Toronto-Dominion Bank co-sponsored a Fraser Institute right-to-work conference in 1997.

Howe Institute, and the Conference Board. The sample was the same in 1996 with one exception – the AIMS was added. The results are presented in table 6.3.

Table 6.3
Directors in the Corporate Policy Network, 1976 and 1996

No. of Policy-Group Directorships Held	No. of Corporate Directorships Held			Total
	0	1	2 or more	
			<i>1976</i>	
1	92	54	73	219
2	1	1	16	18
3	0	1	3	4
Total	93	56	92	241
			<i>1996</i>	
1	122	67	51	240
2	3	3	10	16
3	0	2	4	6
Total	125	72	65	262

Source: William Carroll and Murray Shaw (2001), Consolidating a Neoliberal Policy Bloc in Canada, 1976 to 1996. *Canadian Public Policy* 27(2): p.204

As we can see, in 1976 a total of 241 people sat on one or more of the four policy boards; while in 1996, 262 individuals sat on one or more of five boards. In both years sampled, most policy group directors also directed one or more dominant corporations, and 22 of them sat on multiple policy boards. According to Carroll and Shaw (2001: 205), “[t]he vast majority of these 22 were also corporate directors, and in 1996, six of them directed three policy groups each, forming a closely-knit network core. The many corporate affiliations of these individuals confirm that the governance of neoliberal policy groups is largely the work of the corporate elite.” The table also reveals a clear shift away from interlocking over the 20 year span. In 1976, 92 policy group directors sat on multiple corporate boards. By 1996, this was reduced to 65. Carroll and Shaw (2001:

205) explain that the reasons for this have to do with changes in the political economy of corporate capital. Modifications in corporate governance practices in 1995 reduced the size of corporate boards (especially those of the banks) and nearly eliminated the long-standing practice of Canadian bankers sitting on the boards of major industrial corporations. These changes resulted in a loosening of the interlocking directorate network which, in turn, affected the corporate-policy network. Despite the decrease in interlocking evidenced here, there still exists a tightly integrated corporate-policy network in Canada. In fact, the authors note that “[t]he decline in the integrative role of banks and other corporations renders the policy groups particularly central within the 1996 configuration” (p.208). Thus, the boards of prominent Canadian think-tanks (as well as the BCNI) have become *more* important as sites where the economic elite forges a policy consensus.

Appendix A includes the names and corporate affiliations of those directors who sit on the boards of the Fraser Institute, CDHI, AIMS, and Conference Board. The sample of dominant corporations is the same as that used in chapter four (media-corporate interlocks) – a list of the Top 500 Canadian corporations found in the 2002 Financial Post 500. Information on the directors was taken from the 2003 Financial Post Directory of Directors. Subsidiaries are included only if their parent is listed in the Top 500 (and the director does not sit on the parent board) and if the subsidiary is listed in the Top 100 subsidiaries.

As these data illustrate, the Fraser Institute is not tied to nearly as many large corporations as the C.D. Howe Institute and Conference Board by means of director board interlocks. Most of its ties to the economic elite come through corporate and

foundation funding grants. The board of the C.D. Howe Institute has five individuals (Jack Cockwell, Murray Edwards, Kerry Hawkins, Frank McKenna Jr., and David O'Brien) who also sit on the boards of five or more corporations in the Top 500. In addition, four board members direct four dominant corporations. One of these is David Kerr, who also sits on the boards of the Canadian Institute for Advanced Research and a global policy organization called the World Business Council for Sustainable Development. Another is Roger Phillips, who is also affiliated with the Canadian Steel Producer's Association, the Saskatchewan Chamber of Commerce, and the Fraser Institute. The board of the AIMS contains ten corporate directors (four of whom are CEO's) including its past chairman and current chairman emeritus Purdy Crawford. Crawford also resides on the boards of AT&T Canada, the Canadian National Railway Company, Emera Inc., Maple Leaf Foods Inc., and Petro-Canada. What is particularly striking about the Conference Board is the number of CEO's who are directly represented on its board of directors: a total of 15 CEO's in the Top 500 are affiliated with the organization. These examples are included to illustrate the extensive connections between Canada's influential think-tanks and the economic elite.

Finally, as Carroll and Shaw (2001: 207) point out, an important part of any corporate-policy network is the set of ties *among* policy groups. As noted in table 6.3, a small number of corporate-policy interlockers sit on more than one policy board. These individuals exist at the heart of the network, forming a tightly integrated inner circle. Table 6.4 lists key ties among policy groups in 2003.

Table 6.4

Ties Among Policy Groups, 2003

<i>BCNI ties to Think-Tanks</i>	
<i>Fraser Institute</i>	Paul J. Hill ¹ Hassan Khosrowshahi Gwyn Morgan
<i>C.D. Howe Institute</i>	Jack L. Cockwell F. Anthony Comper Paul J. Hill ¹ N. Murray Edwards David W. Kerr David P. O'Brien
<i>AIMS</i>	Peter C. Godsoe David McD. Mann ² John C. Risley ² Harry R. Steele
<i>Conference Board</i>	John M. Van Brunt Patrick D. Daniel David L. Emerson Paul J. Hill ¹ John S. Hunkin Ed Kilroy Jacques Lamarre David McD. Mann ¹ Eric P. Newell Gilles P. Ouimet Douglas Whitehead
<i>Ties Between Think-Tanks</i>	
<i>Fraser Institute</i>	Paul J. Hill Roger Phillips Herbert C. Pinder Jr.
<i>C.D. Howe Institute</i>	Paul J. Hill John T. McLennan Peter J. Nicholson Roger Phillips Herbert C. Pinder Jr.
<i>AIMS</i>	John T. McLennan David McD. Mann Peter J. Nicholson
<i>Conference Board</i>	Paul J. Hill David McD. Mann

- 1 Individual is connected to more than one think-tank.
- 2 Individual sits on the AIMS's advisory council.

or more boards. The top of table 6.4 presents the overlapping board memberships of the four think-tanks with the BCNI. It shows that the Fraser Institute has three such linkages; the AIMS four; the C.D Howe Institute six; and the Conference Board eleven. At the bottom of the table, the ties between the think-tanks themselves are presented. Two individuals – Paul J. Hill and David McD. Mann – sit on the board of the BCNI and more than one think-tank. Paul Hill is particularly central in the policy-formation network. He is affiliated with the BCNI, Fraser Institute, C.D. Howe Institute, and Conference Board. Although not a director of any of the Top 500 companies listed in the Financial Post 500, Hill sits on the boards of many smaller firms (including his role as CEO of Harvard Developments Inc.). Clearly, there is a substantial sharing of directors among the groups, mainly through the large board of the BCNI.

Do Think-Tanks Matter?

Although the Japanese government believed U.S. think-tanks to be influential enough to appoint a diplomatic official to monitor their activities (Stone, 1996: 218), most observers are more skeptical about the policy impact of think-tanks. Unlike policy organizations, isolating the influence of think-tanks on specific policy outcomes is difficult. According to Abelson and Lindquist (2000: 58), some scholars have consciously avoided or made only passing reference to the impact of think-tanks in the policy process. Others, they contend, simply assert that think-tanks are influential without demonstrating how they achieve it. Says Lindquist (1993: 575), “despite their prominence, I do not see institutes as potent forces within policy networks. My research indicates that institute studies are often of limited use to policy-makers and are more geared to educating the attentive public.”

Policy specialist Hugh Heclo argues that Marxists are overly constrained by their preconceptions of capitalist hegemony. For Heclo, Marxist determinism is amplified by being “on the outside looking in at the names on the boards of trustees, the printed recommendations, the assumption of policy influence.” He also sees Marxists as enamoured with “the self important and vacuous big names that sit on their boards with little effect” (cited in Stone, 1996: 34). Following this, Heclo would regard think-tanks as having very little sway in the policy-formation process. The former president of the Montreal-based Institute for Research on Public Policy, Monique Jérôme-Forget, is also skeptical about the influence of think-tanks. Specifically, she asserts that quantitative measures (such as the number of media citations) only show that particular issues are being discussed, as opposed to institutes having the potential to effect people’s attitudes (cited in Abelson, 2002: 6).

All of these points have some validity. However, they miss the central means by which think-tanks actually influence politics and policy-making. The argument advanced here is that it is through the *facilitation and maintenance of elite unity* that think-tanks exercise their most decisive influence. This is not to say that think-tanks play an especially important role in the formation and implementation of specific policy initiatives (although one can certainly find exceptions, such as free trade). The point of importance is that one must distinguish between think-tanks influencing particular policies and their ability to effect the policy-making environment. As has been argued throughout this study, a cohesive and integrated business class wields far greater power in the political arena and over the state than does a fragmented one. The role of think-tanks is to provide a series of forums wherein the economic elite can reconcile the divergent

interests within the business community and 'hammer out' a policy consensus around key issues.

The significance of research on think-tanks, then, is that it allows us to see one way in which the elite achieves consensus. It may also be useful for documenting changes in its political strategy. As Ernst (1992: 109) explains, by tracing the history and policy discourse of think-tanks which are closely tied to the leading fractions of capital, one can gauge changes in the strategic orientation of the economic elite. This is only possible because corporate funded institutes have been so central in providing the ideological framework for corporate political action. For these reasons, think-tanks continue to prove a crucial area of political economy research.

Another important area to consider in political economy research generally and elite unity research more specifically is the role that foundations play in the policy-formation network. The purpose of the next chapter is to expand on how foundations figure in our study of the extent to which Canada's economic elite represents a unified and class conscious group.

Chapter Seven: Foundations

Philanthropic foundations are tax-free institutions that strategically provide grants to individuals and non-profit organizations to fund a wide range of activities. Although foundations have both a direct and indirect influence within many areas of public policy, their importance and influence are often neglected in the general study of philanthropy. Hence, most remain unaware of the conscious and deliberate political role these organizations play, and of their established integration in the policy-formation network. Foundations, then, are important to consider in any study of the economic elite. The connections are manifold – many of the same individuals who direct large corporations, policy organizations, and think-tanks are also trustees of private foundations. Foundations' primary source of influence within the network is exercised through their funding activities and, to a lesser extent, the initiation of programs. According to Domhoff (1983: 95), "[i]n contrast to the general image that is held of them, [foundations] are in fact extensions of the corporate community in their origins, leadership, and goals." The aim of this chapter is to review the relationship between foundation activity, political influence and elite unity.

Public Policy and Class-Wide Rationality

Of the thousands of foundations that exist in Canada, only a select number have the money and desire to involve themselves in funding programs which have a bearing on public policy. Those that do generally fall into two categories: corporate foundations and family foundations. Corporate foundations derive their funds from corporate profits, and although legally independent of the corporation, the corporate foundation is closely tied to the corporation's board and funding (Canadian Directory to Foundations and Grants,

2003: 10). In other words, these types of foundations are very much the offspring of their corporate parents and likely to reflect the same social and political interests (Neiheisel, 1994: 10). In contrast, a family foundation is established by a wealthy family or individual. These are the most well-known and abundant type of foundation in Canada (Canadian Centre for Philanthropy, 2003: 9). Through family foundations, fortunes may remain intact over many generations. In addition, wealthy elites have the power to decide where and when to channel vast sums of money. Table 7.1 displays the Top 10 corporate and family foundations (ranked by grants) in Canada. Together, they distribute hundreds of million of dollars to recipients of their own choosing.

Private foundations are often regarded as little more than donors of money for charity, and producers of value-free academic research. However, the complex web of relationships between foundations and the economic elite, and the ability and willingness of some of them to influence public policy, brings this conception into serious question. Clearly, foundations do more than 'just' donate money. For one, their activities are a large part of the public relations efforts of large companies. In the words of Steven Neiheisel (1994: 179) "[n]o major corporation dare go without this form of political risk insurance ... without a track record of public service that can be paraded ... a corporation is without a major weapon in its defensive strategy should public controversy over its operations arise." Thus, foundations play a critical role in creating the public perception that a corporation cares about more than profits. In addition, companies and individuals use foundation money to influence the policy-making process. How do foundations accomplish this? The most central mechanism is through the allocation of funds to organizations doing policy work and other 'worthy' ventures. Trustees may donate

**Table 7.1
Top Foundations by Grants**

Rank	Foundation Name	Assets	Grants	# of Grants
<i>Family Foundations</i>				
1	David and Dorothy Lam Foundation (2001)	\$192,459	\$20,734,343	36
2	The J.W McConnell Family Foundation (2000)	\$543,044,403	\$20,259,327	132
3	Chastell Foundation (2001)	\$163,299,567	\$18,299,145	82
4	The John McKellar Charitable Foundation (2001)	\$131,908	\$18,193,024	16
5	H.W. Siebens Charitable Foundation (2001)	\$7,248,780	\$11,523,842	122
6	Claridge Foundation (2001)	\$110,264,796	\$11,296,554	131
7	Donner Canadian Foundation (2001)	\$159,282,380	\$9,847,761	201
8	The W. Garfield Weston Foundation (2000)	\$23,109,288	\$9,582,299	67
9	Kahanoff Foundation (2001)	\$107,132,696	\$8,475,356	52
10	La Foundation Marcelle et Jean Coutu (2001)	\$143,248,591	\$7,456,072	177
<i>Corporate Foundations</i>				
1	TD Friends of the Environment Foundation (2000)	\$2,865,872	\$24,000,000	11,000
2	RBC Foundation (2000)	\$33,596,086	\$23,863,907	3,200
3	Irving Oil Foundation (2001)	\$83,018	\$12,500,000	1
4	J. Armand Bombardier Foundation (2002)	\$155,214,379	\$10,828,413	341
5	Imperial Oil Foundation (2002)	\$7,477	\$6,650,000	402
6	Suncor Energy Foundation (2002)	\$600,000	\$4,600,000	400
7	The Apotex Foundation (2000)	\$83,018,856	\$3,255,359	82
8	DeFehr Foundation Inc. (2001)	\$1,677,028	\$2,908,344	n/a
9	The CIBC World Markets Children's Miracle Foundation (2000)	\$809,691	\$2,126,444	458
10	Hudson's Bay History Foundation (2001)	\$28,574,965	\$1,670,950	16

Note: All amounts are from the most current fiscal information - the fiscal year is indicated in parentheses.

Adapted from: Canadian Directory to Foundations & Grants (2003), published by the Canadian Centre for Philanthropy: pp. XIX-XX

money to an organization without attaching specific conditions to its use, or request that the money be geared towards a particular topic or research effort.¹ Sometimes, however, the money is meant for a pre-defined project. Foundations may also establish new 'in-house' projects when there is a lack of approved recipient organizations. Directors and trustees have a great deal of latitude in the use of foundation money. In each of these instances, there is the potential that the money will be channelled into the political arena.

According to Domhoff (1974), foundations influence both policy-making and the development of elite unity by funding policy groups (mainly think-tanks).² As noted earlier, policy groups bring together members of the elite and "provide a setting in which differences on various issues can be thrashed out and the opinions of various experts can be heard" (p. 8). In their role as funders to policy groups, foundations facilitate the development and implementation of general policies important to the interests of the economic elite. By the same token, their financial support of particular groups allows for the formation and dissemination of elite ideologies which affects the wider political culture. Foundations also provide a venue where the corporate community can interact and agendas can be set. Jorge Niosi (1982: 133) contends that the presence of business leaders on the boards of trustees of foundations has nothing to do with 'honorifics,' rather it "stems from their concern to shape the executive personnel of which they have need and thus to guarantee their own continuity as a class."

One must question the actual intentions behind foundations' activities, including what appear to be 'goodwill' gestures. Milton Friedman, for one, argues that philanthropy

¹ Often, corporations provide the initial 'seed money' needed to develop a new research endeavour.

² In a previous work (*The Higher Circles*, 1970), Domhoff refutes the argument advanced by pluralist Arnold Rose that foundations lack power and influence in society.

is a form of lobbying and, therefore, should not be tax deductible. John Kenneth Galbraith is also skeptical. He believes that corporations should not be allowed to make 'contributions,' because they provide them with too much opportunity to exercise influence (both cited in Neiheisel, 1994: 24). From these perspectives, donations by means of corporate or family foundations are little different than direct patronage.

In her extensive study of the relationships between foundations, policy organizations and think-tanks in the United States, sociologist Mary Anna Culleton Colwell (1980) found evidence of an inner group or 'higher circle' within the foundation network. Specifically, she looked at the 20 largest foundations that conferred at least five percent of their total donations to public policy purposes. The results indicated that 124 of their 225 trustees also served as trustees in 120 other foundations. In addition, 10 of the 20 foundations had direct interlocks with 18 policy-planning organizations and think-tanks (p. 419-421).³ These results lend credence to the notion that career mobility in the philanthropic world parallels that in the corporate world. Both represent a progression toward the 'inner social circles,' providing more contact with influential members of the economic elite (Clement, 1986: 251).

Useem (1984) also presents evidence that corporate philanthropy is controlled by inner circle business leaders. It is a select group of individuals who collectively decide on the recipients and issues deemed worthy of funding. When looking at participation rates in the governance of philanthropic foundations in the U.S., he found that multiple directors were much more likely to oversee their activities than single directors. Specifically, 18 percent of single directors were involved in foundation governance,

³ In a subsequent study, Colwell (1993) draws the same conclusion, stressing the existence of a 'higher circle' or interconnected foundation 'club' (p. 103).

compared with 42 percent who held two directorships and over 50 percent who held three or more directorship positions (p. 81-82). Clearly, companies whose officers are well connected to corporate networks are considered a better source of trustees than those without such connections. Furthermore, Useem argues that class-wide political criteria is often as important as company considerations in deciding what to support and how much to give (p. 146). In summarizing the subordination of corporate rationality to class-wide logic, Useem writes;

[m]ost corporate business decisions are viewed, correctly, as a product of the internal logic of the firm. Yet when decisions are made on the allocation of company monies to ... the direction of philanthropic activities, and other forms of political outreach, an external logic is important as well. This is the logic of classwide benefits, involving considerations that lead to company decisions beneficial to all large companies, even when there is no discernable, direct gain for the individual firm.

Through contribution programs, single firms can enhance the public image of the entire business community and mitigate the dangers of 'unfriendly' policy initiatives. The assumption underlying funding decisions based on class-wide logic is that business executives are class-conscious and far-sighted enough to act in the interests of capital as a whole. In the words of Colwell (1993: 193), "[d]o private foundations intentionally make grants to influence public policy? The answer here is an unequivocal 'yes.' ... a commitment to the free enterprise system [underlies] the creation and the existence of private foundations and their grants." A few Canadian think-tanks make their intentions well-known. For example, according to the Canadian Centre for Philanthropy (2003), the John Dobson Foundation's purpose is "[t]o educate the public with respect to the free enterprise system and entrepreneurial activities in Canada" (p.310). The "current strategic priority" of the Max Bell Foundation is to "support projects which educate Canadians

about public policy alternatives” (p.126). To help accomplish this, the Max Bell foundation gave a combined total of over \$450,000 to the Fraser Institute, C.D. Howe Institute, and Atlantic Institute for Market Studies in 2000. Unfortunately, analysts of philanthropy often do not recognize the influence of broad, class interests on funding decisions.

Think-Tanks as Foundation Recipients

There are hundreds of organizations that receive foundation grants in Canada and the money is used in a multitude of ways. Funding to think-tanks represents the most significant aspect of foundation activity, when measured in terms of policy-making, political culture and elite unity. These grants are given with the expectation that policy recommendations delivered by think-tanks will be seriously considered by state officials and political parties.

As recipient organizations, think-tanks are heavily dependent upon foundation support. To illustrate, foundations make up only two percent of all members of the Fraser Institute, yet their donations account for 63 percent of all monetary contributions (Fraser Institute 2002 Annual Report, Institute web site). This dependence helps to ensure that think-tanks will focus much of their research on issues important to their rich benefactors. Given these structural arrangements, it is not surprising that groups or researchers who challenge current political and economic arrangements do not generally receive private foundation funding. To cite just one example, the Ford Foundation refused to consider applications from C. Wright Mills after he wrote *The Power Elite*; instead, the foundation actively promoted the work of pluralist scholars (Colwell, 1993: 36).

Table 7.2
Foundation Grants to Advocacy Think-Tanks (over \$1000)

Foundation ¹	Think-Tank	Grant Amount ²
Donner Canadian Foundation (2002)	Fraser Institute	\$536,407
	C.D. Howe Institute	\$318,391
	AIMS ³	\$300,000
The John Dobson Foundation (2000)	Fraser Institute	\$111,954
	AIMS	\$62,500
	C.D. Howe Institute	\$10,000
Max Bell Foundation (2000)	AIMS	\$124,500
	C.D. Howe Institute	\$50,000
The W. Garfield Weston Foundation (2000)	Fraser Institute	\$140,450
Carthy Foundation (2001)	Fraser Institute	\$95,000
	AIMS	\$10,000
Vancouver Foundation (2000)	Fraser Institute	\$97,702
RBC ⁴ Foundation (2000)	C.D. Howe Institute	\$52,575
	AIMS	\$10,000
The Pirie Foundation (2000)	Fraser Institute	\$45,000
	AIMS	\$2,500
	C.D. Howe Institute	\$2,000
Peter and Joanne Brown Foundation (2000)	Fraser Institute	\$30,000
The Jarislawsky Foundation (2000)	C.D. Howe Institute	\$30,000
The Morrison Foundation(2000)	Fraser Institute	\$15,000
H. W. Siebens Charitable Foundation (2001)	AIMS	\$15,000
Hunter Family Foundation (2000)	Fraser Institute	\$10,000
The Edper Foundation (2000)	C.D. Howe Institute	\$10,000
The William Nancy Turner Foundation (2000)	C.D. Howe Institute	\$4,000
Birks Family Foundation (2000)	Fraser Institute	\$2,000
	C.D. Howe Institute	\$1,500
C.M. Harding Foundation (2000)	C.D. Howe Institute	\$1,100

1 All amounts are from the most current fiscal information - the fiscal year is indicated in parentheses.

2 Grant amount represents the *total* given by the organization throughout the course of the year.

3 Atlantic Institute for Market Studies

4 Merges the formal Royal Bank of Canada Charitable Foundation and the RBC Dominion Securities Foundation

Adapted from: Canadian Centre for Philanthropy. (2003). Canadian Directory to Foundations and Grants, 17th ed., Vol. 1.

There is little doubt that the activities of think-tanks and other foundation recipients are significantly restricted and channelled by the foundations who fund them.

In some instances, there will be no need for foundation trustees to directly define the limits of acceptable research. In others, such as when there is a difference in political or economic orientation between foundation and recipient, the restrictions are made more explicit and a negotiation of some sort must be reached. Recall that foundations also do some of this kind of policy work themselves, functioning much like a think-tank when working on a particular issue. One such foundation that creates its own projects is the Donner Canadian Foundation. Its activities will be discussed in greater detail below.

A significant number of Canadian think-tanks have been created and/or maintained largely through foundation grants. A few examples include the North-South Institute, the Mackenzie Institute, the Canada West Foundation, and the Caledon Institute of Social Policy. Perhaps most notably, the three advocacy think-tanks profiled in chapter six – the Fraser Institute, C.D. Howe Institute (CDHI), and Atlantic Institute for Market Studies (AIMS) – have received generous financial support from foundations.⁴ Table 7.2 contains the most recent information available regarding grants to these three organizations. In terms of total dollar contributions, the Donner Canadian Foundation is in a class by itself. It donated well over \$1 million to the three think-tanks in 2002. The Fraser Institute is the one think-tank in Canada that has managed to obtain a steady influx of money from American foundations. Table 7.3 presents donations by American foundations to the Fraser Institute from 1985 to 2001. The Institute's most consistent supporter has been the Lynde and Harry Bradley Foundation, whose express purpose is to support projects which "reflect the assumption that free men and women are ... able to

⁴ Recall that the CDHI was formed through a merger of the Private Planning Association of Canada and the C.D. Howe Memorial Foundation. Also, the AIMS was founded in 1994 with a three-year start-up grant from the Donner Canadian Foundation.

run their daily affairs without the intrusive therapies of the bureaucratic, social service state” (Canadian Centre for Philanthropy, 2003: 1101).

Table 7.3
Foreign (American) Donations to the Fraser Institute, 1985-2001

Provider	Date	Amount
Sarah Scaife Foundation	1985	\$25,000
	1986	\$25,000
	1989	\$25,000
	1998	\$50,000
	1999	\$50,000
	2000	\$50,000
The Lynde and Harry Bradley Foundation, Inc.	1986	\$2,000
	1988	\$2,080
	1989	\$4,000
	1990	\$2,000
	1992	\$27,000
	1994	\$4,000
	1995	\$15,000
	1996	\$2,000
	1997	\$2,000
	1998	\$10,000
	1999	\$5,000
The Carthage Foundation	1991	\$25,000
	1992	\$25,000
Charles G. Koch Charitable Foundation	1992	\$18,221
John M. Olin Foundation, Inc.	1992	\$10,000
Claude R. Lambe Charitable Foundation	1993	\$5,000

Source: Media Transparency. Available at:
http://www.mediatransparency.org/search_results/info_on_any_recipient.php?recipientID

The Donner Canadian Foundation

The Donner Canadian Foundation (DCF) was created in 1950 by American steel tycoon William Henry Donner.⁵ For most of its history, the DCF has tried to remain ideologically 'neutral,' and could be located in the area of "middle-of-the-road Canadian liberalism" (Rau, 1996: 12). But this changed dramatically when the foundation was taken over by conservative Donner family members and American Devon Cross assumed the position of president in 1993. One of Cross's goals was to "create a national network of new conservatives in Canada" (p. 11). To further this objective, the DCF became the "new sugar daddy for right wing groups" (p. 17).

Following the lead of its sister foundation in the U.S., the Canadian Donner also began to distribute monies to conservative and corporate causes. The changes in political orientation were immediately apparent in the DCF's funding choices for 1994. According to Rau (1996: 16), the foundation announced that it would be providing the Fraser Institute with \$450,000 over three years to monitor public debt and recommend ways to control government spending. The University of New Brunswick was given \$450,000 over three years for the Establishment of the AIMS, which would "investigate the role private enterprise and educational reform may play in revitalizing Atlantic Canada's economy." Not to be left out, the C.D. Howe Institute received \$46,000 for a book entitled, *False Premise: Canada, the Market and the Americans*, which dealt with the history of government intervention in Canada and the United States. The foundation also provided the right-wing Mackenzie Institute with \$43,318 to study the impact of gun

⁵ In 1962, an American operation was established. The American foundation was administered by the Canadian operation until 1982 when it was decided that it was big enough to operate independently. It was also around this time that the American organization began to move in a decidedly conservative direction.

control legislation on Canada's underground arms market. These four grants are just a portion of the over \$2 million the Donner Canadian Foundation dispensed in 1994. A more recent breakdown (2002) of contributions to the Fraser Institute, the CDHI, and the AIMS is provided in table 7.4. The table also indicates the specific project supported by each grant.

Table 7.4
Donner Canadian Foundation Grants to Advocacy Think-Tanks, 2002

Institute	Grant Amount	Project
Fraser Institute	\$198,667	W.H. Donner Awards for Excellence in the Delivery of Social Services
	\$100,000	CanStats
	\$75,000	Centre for Globalization Studies/ Economic Freedom Index
	\$50,000	Donner Leadership Program 2002
	\$40,000	Economic Freedom Index/Cuba
	\$30,000	Immigration Issues
	\$22,740	"The Skeptical Environmentalist" – The Bjorn Lomborg Public Lecture
	\$20,000	Teachers Workshop on Economic Principles in Ontario
C.D. Howe Institute	\$171,491	The Border Papers
	\$75,000	Improving Productivity and the Public Sector: A Comparative Analysis of Business Costs
	\$50,000	Interpretation of Elementary Test Results
	\$21,900	Examining Canada's Immigration Policy
Atlantic Institute for Market Studies (AIMS)	\$150,000	Canada Cities and a National Urban Strategy
	\$150,000	Atlantica: Creating the International Northeast Economic Region and the Fishery of the Future

Adapted from: Canadian Centre for Philanthropy. (2003). Canadian Directory to Foundations and Grants, 17th ed., Vol. 1: pp. 312-316.

The funding of right-wing groups and projects was only part of the new Donner's agenda. Since 1993, the organization has initiated a number of its own projects. In 1994, the organization used \$1.4 million to establish *The Next City*, a highly conservative Toronto-based magazine. According to Dobbin (1998: 211-212), since 1995 the magazine's writers have "celebrated Latin American Shantytowns, portrayed beggars as scam artists, and declared that poverty is a matter of personal choice." In the years following its inception, staff at *The Next City* had a very close relationship with "the Donner people" who met with them after every issue to discuss stories (Rau, 1996: 12). The foundation also helped to launch another right-wing publication in 1995 by giving a \$390,000 grant to conservative Garrick Mason to transform his newsletter *Gravitas* into a quarterly magazine (Dobbin, 1998: 212). *Gravitas*, which specializes in Canadian foreign and trade policy, has published a number of articles by members of the Fraser Institute and AIMS. A more recent initiative is the Donner Awards for Excellence in the Delivery of Social Services, shown in table 7.4. The Fraser Institute helped to develop the evaluation protocol for the Donner Awards in 1997 with input from the Canadian Centre for Philanthropy, the Canadian Cancer Society, the Trillium foundation, and Family Service Canada. The Institute administers the awards on behalf of the foundation (Fraser Institute website).

The Donner Foundation ranks among the top 10 family foundations in Canada (see table 7.1), and yields considerable influence. It is but one of the private foundations that enhance the power of the economic elite in Canadian society. As noted earlier, foundations are an often overlooked component of the policy-formation network and this is a dangerous oversight. As governments continue to eliminate their own public policy

research operations, opportunities for private foundations to shape Canada's intellectual development and political climate abound. A detailed discussion of foundations is not the focus of this study, but their inclusion is important. Foundations are yet another way that corporations and members of the elite are able to exercise their influence and solidify a consensus. This is an important area of research – one worthy of intensive study in the Canadian context.

PART IV

Ties Between Elites in Different Spheres of Power

Chapter 8: Interpersonal, Social and Political Ties

To this point in the study, the focus has been on the numerous ways unity is fostered *within* Canada's business community. However, it is important to compliment such an analysis with an examination of ties *between* business and other positions of elite power. The significance of these connections is that they provide an avenue whereby a solid corporate policy consensus can be 'transferred' to the state and political system. At a broader level, the ties between economic, state, and political elites are also unifying mechanisms, as there must be some degree of continuity and integration between the major systems of power in order for a unified business class to effectively assert its supremacy. For instrumentalists and elite theorists, the relations between elites are the substance of politics; they help to describe the fundamental nature of power in Canadian society.

Elite Ties and Overlap: Interpersonal Ties

One of the most direct indicators of corporate domination is the degree to which members of the economic elite control the state through interlocking positions within state institutions. Thus, one way to measure the degree of business control is to quantify the extent to which members of the economic elite have 'colonized' the state apparatus; this involves examining how many elite members directly occupy positions of power within the state system. Members of the economic elite who enter the state system, in whatever capacity, do not necessarily think of themselves as representatives of business in general or of their own industries and firms in particular. In part, this is because many of the links between corporations and the state do not involve simultaneous membership in two or more organizations. For example, cabinet members may have been or may

become business executives, but they cannot be executives while in office.¹ Nevertheless, this disjuncture does not mean that business leaders with state positions are more likely to support policies that run counter to the interests of capital. As Miliband (1969: 55) notes, “It is much easier for [business executives], when required, to divest themselves of stocks and shares as a kind of *rite de passage* into government service than to divest themselves of a particular view of the world, and of the place of business in it.” Following this, there is little reason to believe, as Block (1977: 13) does, that “ruling class members who devote substantial energy to policy formation become atypical of their class, since they are forced to look at the world from the perspective of state managers.” In this analysis, then, members of the economic elite who occupy positions of state power will be regarded as representatives of their class.

While business leaders do not occupy the majority of positions within the state, they are well represented in the political executive and in other key parts of the state system. The interchangeability between state service and business is characteristic of a new breed of ‘technocrats’ who wield considerable influence and power in a variety of departments, regulatory boards and planning organizations. These people belong to both the world of business and the world of government, and move easily between the two. Some of these individuals possess the necessary aptitudes and vision to organize and articulate the long-term interests of the elite.

¹ Thomas R. Dye (1995: 152) distinguishes between *concurrent* interlocking, where individuals hold more than one institutional post at one time, and *sequential* interlocking, where individuals hold a number of leadership positions over their lifetime, often alternating between state and corporate positions. Today, concurrent interlocks involving state and corporate positions held simultaneously are illegal in most advanced capitalist nations while sequential interlocks are quite common. Concurrent interlocks are more common within the economic elite (as in the case of interlocking directorates).

While in government, corporate officials are given a temporary reprieve from the concerns of their companies or industries. Politicians are often required to place their assets in a trust which would either maintain them as they were before they entered office, or administer them on a 'blind' basis so they cannot (or at least should not) know what transactions are taking place. Ministers also may be forbidden to act on behalf of a corporation for a short period after leaving office. But Domhoff (1998: 255) argues that this separation "does not give them the time or inclination to become fully independent of the corporate community or to develop a perspective that includes the interests of other classes or groups." What this implies is that the 'neutrality' of these individuals working within the state should remain highly suspect.

The issue of whether or not politicians can ever really act independently of their connections to business has recently complicated the political career of former federal finance minister and Liberal leadership contender Paul Martin. When Martin became finance minister in 1993, he signed an obligatory blind management agreement to avoid a potential conflict of interest. Under the agreement, interim managers were appointed to assume operational control of Martin's companies. One of these companies was Canada Steamship Lines, which he purchased with a friend in 1981 from Power Corporation. Canada Steamship Lines is a major Great Lakes and International shipping line, and controls assets upwards of \$693 million with annual revenues of \$283 million. Its parent company, CSL Group Inc., is headquartered in Montreal. Martin and his wife Shiela also own 50 percent of CSL Equity Investments Ltd.. Early in 2003, the opposition parties (particularly the Canadian Alliance) attacked Martin for allegedly ignoring his initial agreement. According to his critics, Martin was receiving updates on his companies while

serving time in office. They also contend that he would face extensive conflicts of interest if he becomes Prime Minister and retains his businesses (apparently it was not a conflict of interest when he was finance minister). In response to these charges, Martin announced that he would hand over control of his business holdings to his three sons (somehow implying this would break the connection), stating that his “only business will be the public’s business,” and that he would “completely sever all ties with Canada Steamship Lines” (CBC News Online, March 11th 2003). Despite the pledge, many are still skeptical and question why he did not divest his holdings to a third party.

As this example illustrates, strong business connections are a regular feature within the upper levels of the state. Indeed, Canada’s highest political office is no exception. Apart from being surrounded with Cabinets heavily laden with business executives, there has been no shortage of direct and family links between Canadian prime ministers and the economic elite (Clement, 1983: 90-91). Richard Bennett, for one, was prime minister from 1930 to 1935 and later became president of Calgary Power, owner of the E.B. Eddy Match Company, and a director of Imperial Oil and the Royal Bank.

A more recent example is provided by Brian Mulroney, whose extensive business connections have become legend. According to Peter Newman (1998: 153), Mulroney had “one of the highest-quality business networks on the continent. He was a Canadian business Titan before the category existed, and he went into politics very much as their ambassador.” Mulroney had given up practicing law seven years before he became the Conservative leader and in that time he ran the Iron Ore Company of Canada. Furthermore, only a year before his transition to politics he was a director of ten major companies including Conrad Black’s Standard Broadcasting, the Canadian Imperial Bank

of Commerce, and the Ritz-Carlton Hotel Company of Montreal. While in office, Mulroney quickly became recognized as Canada's version of Ronald Reagan or Margaret Thatcher. With one of their own at the helm, the Canadian business establishment was in a solid position to directly set Ottawa's political agenda. Newman (1998: 154) notes that this was "the mildest *coup d'etat* in history, dealing as it did with a compliant political authority and a prime minister who was its unindicted co-conspirator." Mulroney was rewarded for his loyalty by being showered with directorships, stock options, and speaking engagements once he left office.

Current prime minister Jean Chrétien offers yet another example of state-corporate ties. Before coming to power, Chrétien sat on a number of corporate boards including the Toronto-Dominion bank. Dobbin (1998: 175) comments that Chrétien "had impeccable corporate credentials and his previous cabinet posts – finance; national revenue; industry, trade, and commerce; energy and mines; and Treasury Board – had brought him into contact with the most powerful business sectors in the country." He was particularly close to Quebec power broker Paul Desmarais, who presided over the huge conglomerate, Power Corporation. Chrétien sat on the board of Power Corporation until he ran for leadership of the federal Liberal party in 1990. Graciously, Desmarais offered his services as chief fundraiser for the campaign and today is the father-in-law of Chrétien's daughter.² Dobbin (1998: 175) believes that "the most dramatic demonstration that business was back and firmly in control, and that the elite consensus was solidified,

² Not surprisingly, Desmarais was also close to Brian Mulroney, hiring him as a negotiator during a labour dispute in 1972 and backing his leadership bid in 1976. Mulroney returned the favours some years later when he appointed Desmarais' brother-in-law to the senate in 1990 and his brother to the senate in 1993 (Hackett and Gruneau, 2000: 131-132). Paul Martin Jr. also worked for Desmarais as president of Canada Steamship Lines until he purchased the company from him in 1981.

was the cabinet choices Chrétien made upon achieving power.” Chrétien, like Mulroney before him, has been a loyal and effective political representative for Canada’s business community.

Federal cabinet ministers and high civil servants also have extensive corporate ties. In 1980, Olsen found that of the cabinet members who left office and did not receive a political appointment between 1961 and 1973, most entered or resumed business occupations. In some cases, their stint in politics gave them a sharp boost in their business careers by helping them into the boardrooms of dominant corporations. It is no surprise that the Senate, which is the institution established to directly represent business within the state, is rampant with connections to the economic world. For example, of the 308 senators between 1925 and 1962, 62 percent were found to be from manufacturing, commerce, finance, or law, while less than one percent represented labour (Kunz, 1967: 66).³

In his groundbreaking study, Clement found that in 1975, one-third of the Canadian born members of the economic elite either once held or continued to hold positions directly within the state system (1983: 93-94). Moreover, 47 percent had close kin, or were themselves in the state at a senior level. Of the over three hundred positions within the state system assumed by members of the economic elite, the vast majority were appointed positions. Fox and Ornstein (1986) used a longitudinal database to examine the connections between the largest Canadian corporations and a variety of state institutions between 1946 and 1976. They found a very dense network of connections.

³ Elite business ties to the state clearly are not a major concern to many senators. Clement (1983: 93) notes that Louis Giguere, a Liberal senator, reportedly remarked in 1976, “[w]hat’s wrong with having a senator do a little business now and then? ... Do Canadians expect senators do be drawn from the ranks of the Salvation Army or something?”

All of the categories of [corporate] organizations are tied to substantial numbers of state organizations ... Particularly large densities are observed for the financial firms ... [which have] very large boards and numerous interlocks with other corporations ... the ties linking the federal cabinet and the Senate to the private sector are particularly dense (pp. 490-492).

Some business leaders merely take 'sabbaticals' to exercise corporate rule in parliament, then return to the corporate world to enjoy the additional rewards they have legislated. Still others join the business world as a result of their participation in government; it is very common for high-ranking politicians and bureaucrats to join the economic elite after they leave office. In fact, it has almost become a tradition. Examples abound of Canadian politicians who have successfully moved to the private sector. Peter Loughheed, former premier of Alberta, was especially prolific as he served as a director of 17 boards, including Bombardier, Canadian Pacific, Noranda, and the Royal Bank of Canada. Onetime premier of Ontario William Davis became a director of 15 companies, including the Canadian Imperial Bank of Commerce and Seagram Co. Ltd (McQueen, 2000: 43). Former New Brunswick premier Frank McKenna currently sits on the boards of about a dozen companies including CanWest Global, the Bank of Montreal, Noranda, and General Motors of Canada. Donald Mazankowski, past deputy prime minister and federal finance minister, also directs multiple companies such as Investors Group, Shaw Communications, and Power Corporation of Canada (National Post Business, 2003).⁴

The recruitment of ex-politicians makes good sense for corporations. Companies are able to attract them with the lure of pay increases, and then to benefit from valuable insider's knowledge. William Greider argues that some corporations take this very

⁴ Canada's largest banks seem to be particularly interested in courting ex-politicians to join their boards. A number of the examples reviewed above include mention of banks in the business profiles of former government representatives. Another example is provided by John Robarts, who after stepping down as premier of Ontario was sought by all five big banks, eventually choosing the CIBC (McQueen, 2000: 43).

seriously; an example is General Electric (GE), one of the largest 'economies' in the world. Greider contends that it is GE's practice to recruit and hire individuals who it considers to be among the 'smartest' political figures in government. In some cases, they are successful in enrolling individuals whose job it was to develop policies regulating GE and other corporations. The reason for this practice is overtly political, as high officials in GE believe that they have a 'governing' responsibility which includes devising public policy (discussed in Dobbin, 1998: 43-45). Dobbin (1998: 43) comments that "GE's breadth of activity has been almost as broad as the government's. The products it makes and the corporate interests they reflect have converged with nearly every aspect of Washington's decision making." Clearly, this mandate would be compromised without the valuable experience of former state officials.

In sum, the analysis of elite ties is an especially relevant endeavor in the Canadian context. Panitch (1977: 11) notes, "a particularly striking characteristic of the Canadian state – its very close personal ties to the bourgeoisie. Whatever the merits of Poulantzas' contention that the most efficient state is that with the least direct ties to the dominant class, it is a rather academic point when applied to Canada." Since Panitch advanced this argument in 1977, the Canadian situation has not changed. While it is at least plausible to argue that the economic elite has so much structural power that it need not involve itself in the details of government, it is clear that business leaders do not want to take the risk of finding out.

Class Background of the Elite – Social Ties

The colonization of state institutions by members of the economic elite is merely one weapon, albeit an important one, in the arsenal of ruling class domination. It alone is

clearly insufficient to account for elite domination of the state. This is because the economic elite do not typically constitute more than a relatively small minority of the state elite as a whole. Miliband (1969: 55) argues that capitalists “are not, properly speaking, a ‘governing class’ comparable to pre-industrial, aristocratic, and land-owning classes.” However, the significance of the relatively small number of direct ties is markedly reduced by the social composition of the elite. That is, there is a marked similarity in the class backgrounds of state, corporate, and political elites. Often, a shared social class background correlates with a similarity in values and ideological positions. It helps to facilitate agreement on the goals and purposes of public policy and limit disagreement to specific means for achieving them. According to Ornstein and Stevenson (1999: 412), “[w]hile the extent of inequality appears less extreme than in Porter’s day, Canadian business and state elites continue to be recruited from disproportionately privileged backgrounds.”

A typical member of the state elite comes from a middle or upper middle class background, hence they are usually not among the very wealthy in Canada. Nevertheless, Dennis Olsen (1980: 29) found that a number of the provincial premiers and federal cabinet ministers in his study had substantial inherited wealth (e.g. Pierre Trudeau) or had access to family fortunes through marriage (e.g. John Turner). Moreover, Olsen notes that one’s social class affected one’s rank *within* the elite. Specifically, those who were upper class in origin tended to be in the higher ranks, while the few from the working class were more likely to be settled in the bottom rank. Further, of the 96 federal cabinet members serving between 1961 and 1973, 65 of them had pre-political occupations in

either business or law (p. 27). Thus, by most available measures, cabinet members have always been distinctly unrepresentative of the general population.

Paul Williams (1987: 12) notes the same discrepancy. He shows that although not excluded from power, the working class is significantly underrepresented within the major institutional offices of the Canadian government. As well, Williams contends that the frequency of kinship ties among the state elite suggests the existence of a network of relations that is much more extensive than can be documented. More recent data by James Fleming (1991: 439-445) reveals that of 39 federal cabinet members surveyed, 32 had careers in law, business, or academics. While the wealthy do not constitute the norm in Canadian politics, their numbers are sufficient enough to suggest that equality of opportunity does not apply within these institutions. That is to say, governmental leadership positions do not exclude those with roots in the working class, but they are disproportionately populated by individuals emerging from privileged social strata.

The same is true of the Canadian corporate elite. Hierarchies within dominant corporations create positions of power to which social classes are differentially recruited. Of 673 Canadian born members of the economic elite (of which 667 were men), Clement (1986: 192) found that 59 percent were of upper class origin, 38 percent were of middle class origin, and only six percent were of working class origin. He further broke the group down into the 'Top 100' Canadian capitalists and separated out those elites who held multiple directorship positions in major corporations. Using this criteria, Clement reported that of the Top 100, 65 percent were from the upper class, 29 percent were from the middle class, and six percent were from the working class. For multiple directorship holders the disparities were even greater; 73 percent were of upper class origin, 22

percent of middle class origin, and five percent of working class origin (p. 216). The core of the elite consists of those members of the Top 100 and those who hold multiple directorship positions. Since only 15 members of the Top 100 did not overlap with the multiple directors, there is a core of 282 persons who wield incredible economic power, even relative to the other members of the elite (p. 213).

These figures demonstrate that access to Canada's top corporate positions is by no means equal. A look at the family origins of the elite is a good starting point to explain why access is so heavily skewed in favour of the upper and middle classes. Clement (1986: 183) shows that of the 673 elites he studied, 133 gained access to the elite through family firms and have spent the majority of their business careers in a corporation where their fathers, or in five cases maternal grandfathers, held key corporate positions. Within these family firms there were 24 father/son combinations, and 32 members were brothers with someone else in the company (p. 185). A total of 247 members embarked on their careers with the initial advantage of having elite connections. Another 68 had fathers in businesses that were not 'dominant' but of sufficient size to provide an upper class avenue into big business. Overall, 47 percent of the group began at or near the top of the class structure (p. 190).

Social background and kinship relations unify elite networks within the state, political, and corporate systems by providing historical continuity and a structure of stable ties. They also have implications for corporate ownership and control. As Maurice Zeitlin (1973: 1099) argues, "the kinship relations between the top officers, directors, and principal shareholders of the large corporations ... are the least studied but may be the most crucial aspect of the control structure." The reason being that many members of the

same family sometimes participate in the ownership of a 'family bloc,' which keeps control highly concentrated despite the diffusion of ownership. Indeed, to a significant extent, Canada remains a collection of family dynasties.

Educational background

Educational background is one of the many indicators of class background. It is considered separately here because of its special importance in shaping the parameters of elite group membership. The separate educational system that exists for many members of the elite facilitates group cohesion and leads to a distinct set of mentalities and lifestyles. From kindergarten through university, schooling typically takes on a different character for those of privileged backgrounds, and provides the 'old-boy' and 'old-girl' networks that will be with them throughout their lives.

Although they may be considered as educational institutions, private schools can also be seen as class institutions designed to create elite associations and maintain class values both by exclusion and socialization (Clement, 1983: 49). The private schools of eastern Canada, for example, stem well back into Canadian history. Some, like Upper Canada College founded in 1929 and Trinity College School founded in 1865 have socialized many generations of Canada's upper class. Universities are more accessible to the lower classes than are private schools, but they also function as screening devices to prevent some members of the lower classes from competing for high skilled and high paying jobs.

Williams (1987: 13-14) found that approximately one in four state leaders attended a private school. As well, about a third of federal civil servants and 40 percent of politicians had similar exclusive educational backgrounds. According to Fleming (1991:

439-444), 41 percent of his sample of federal cabinet ministers attended private schools, 89 percent had some post-secondary education, and 30 percent completed at least one post-graduate degree. In a sample of federal deputy ministers, he found that 31 percent attended private school, 100 percent had some post-graduate training, and 59 percent completed at least one post-graduate degree. Olsen (1980: 70-71) reported that the federal bureaucratic elite had almost reached a 'saturation point' as far as possessing a university degree was concerned, with 92 percent having this qualification. Provincial bureaucrats were only slightly below this at 83 percent. Moreover, 61 percent of the federal bureaucratic elite possessed a post-graduate degree and nearly one in five had taught in a university at some stage of their careers. These rates are far greater than among the general public and reflect the special qualifications and experiences of those in power.

The educational experiences of Canada's economic elite are very comparable. Clement (1986: 244) reports that nearly 40 percent of the elites he studied attended private school. More specifically, 65 percent of those with careers in family firms went to private schools (p. 185) and over 80 percent of the sample had university training. As well, approximately 40 percent of the group had obtained post-graduate training and professional degrees (p. 241). Similarly, Williams (1987: 13) notes that more than one in four business executives in his sample reported private school attendance. Fleming (1991: 448-450) found that of the corporate elites he studied, 37 percent attended private school, 92 percent had some post-secondary education, 30 percent obtained post-graduate degrees, and 50 percent held professional degrees (most frequently in law). Thus, in marked similarity to Canada's state elite and high politicians, schooling for the economic

elite is remarkably different than the education received by the vast majority of Canadian citizens.

A Note on Institutions

The social background characteristics of the elite are important determinants of state policy and class domination. In other words, there is a direct correspondence between social background characteristics and the content of politically relevant decisions. Instrumentalists have relied heavily upon background characteristics to guide their analysis, yet have at times over-emphasized the importance of this indicator. As Miliband (1977: 71) points out, "the class bias of the state is not determined, or at least not decisively and conclusively determined, by the social origins of its leading personnel." Class background characteristics must be complemented by a consideration of the importance of institutional roles and requirements.

Clearly, some members of the lower classes do make it into positions of power. However, this does not democratize these institutions in any significant sense. In most instances, a process of 'bourgeoisification' takes place where they become part of the social class to which their position and status give them access (Miliband, 1969: 60). When people become entrenched in structures that elevate them to higher positions of power and authority, structural dynamics will typically overtake their 'intentions.' To operate outside of these institutional parameters is to increase the danger of a limited or terminated career. This is a key in understanding why most state elites, including those who are not members of the economic elite, accept the capitalist context in which they operate. Their knowledge of what is expected of them in ideological and political terms is usually more than sufficient to keep them within the desired spectrum. We have already

discussed this process as it relates to ownership and advertising constraints within the media, and the same is true within corporations generally. New managers must demonstrate their loyalty to senior management by conforming their attitudes and behaviour. In short, there are a series of filters that effectively weed out those who do not conform to the values and ideologies of these institutions. This process is not monolithic but extremely effective nonetheless.

In addition to the existence of these filters downplaying the importance of class background, it should be noted that a systematic relationship between elite background and elite attitudes has never been clearly documented. In this regard, Ornstein argues that differences in social origins have little apparent impact on political ideology. His research demonstrates that while social background influences views on social and labour policy, it does not effect perspectives on state intervention, foreign investment, and taxation (1982a: 32-33). Williams (1982: 20) notes that the influence of social background on the policy attitudes of Canadian elites are small in magnitude and are mostly indirect; that is, social background may play a role in determining which group an individual enters, but it has no significant impact on the policy attitudes of elites thereafter. These are just a few of the studies which suggest that the political views of elites are not systematically related to their social backgrounds (Ornstein and Stevenson, 1999: 405).

What this evidence suggests is that if social background characteristics are not primarily responsible for the political views of elites, then the functional roles of these institutions must be crucial. The likelihood is that these institutional roles and requirements are largely responsible for the selective and inequitable recruitment of individuals. People are selected on the condition that they already possess the 'correct'

attitudes, and this pre-selection of right-thinking individuals accounts for much of the class bias that exists within Canada's major institutions. To be sure, a comprehensive theory of capitalist politics must include a sociological-biographical element, but this element should not be over-emphasized. While instrumentalists and elite theorists do not ignore institutional analysis, the data indicate that it should be given greater attention.

Political Parties and Their Sources of Funding – Political Ties

Corporate ties to Canada's political parties have been well documented. The major federal parties in Canada – with the exception of the New Democratic Party – have always been financed by big business and contained representatives from elite business ranks. The membership of these parties are drawn from a wide cross-section of the population, but their leading figures are selected largely from the upper and middle classes and include a substantial proportion of business leaders. Politicians within the mainstream parties help to articulate and advance the interests of big business, and directly tie the economic elite to the political system.⁵

Useem (1984: 132) argues that political contributions are not simply the result of 'company rationality,' rather they are an "area of corporate activity especially sensitive to classwide pressures." The payoffs are similar to those reaped through corporate philanthropy. In other words, there are factors beyond a company's immediate welfare that influence funding decisions. By company logic, money should be channeled to candidates who are friendly to the particular firm, "[b]ut by classwide logic, money

⁵ For example, a number of senior members of Canada's major political parties have become integrated into the corporate web dominated by Paul Desmarais and Power Corporation. To mention just one instance, its ties to the federal and Quebec Liberal parties were extensive enough, between 1968 and 1972, to prompt repeated questions about the ten million dollars in federal grants they received during the time period (Clement, 1986: 264).

should be directed at candidates who are known defenders of free enterprise, regardless of their record on more specific matters” (p. 140). The overall interests of big business are often taken into consideration when corporate managers are attuned to the more general concerns of the broader business community. Consequently, corporations “with managements attached to the transcorporate network and its overarching political interests are more often found at the forefront of political contributors than firms whose management is less broadminded” (p. 132).

In the corporate world the Liberal, Conservative, and Reform parties are all typically regarded as acting in the interests of business as a whole. Therefore, companies and individuals often donate to more than one. Clement (1986: 259) found that out of 159 members of his sample of corporate elites whose party affiliations were known, there were 80 Liberals and 77 Conservatives. These parties are examples of the ‘known defenders of free enterprise’ discussed by Useem and are heavily dependent on corporate contributions. Many large corporations have historically split their generosity between the two, thereby applying the ‘class-wide logic.’

Political donations help the political elite run more extensive and ‘professional’ electoral campaigns, and ensure that they are well-organized at all levels for the pursuit of year-round political activities. Providing a large amount of start-up money and other forms of political support affords the economic elite a very direct role in the political process and provides them with personal access to politicians. Even if they do not tie specific demands to the money, and they usually do not, they are able to ensure a hearing for their views and to work against those candidates who they do not consider

approachable. Very few outside of the business community have been able to afford the donations required to fund today's expensive electoral campaigns.

At the federal level in Canada, fundraising loopholes have seemingly allowed 'secret' donations of any amount. For instance, candidates in the political party leadership races have not been required to disclose their donors or donation amounts, nor have MP's between elections. In addition, there have been no limits on the quantity of donations made and they did not have to be disclosed until up to eighteen months after they were made (CCPA Monitor, October 2001: 12). Had more stringent financing laws been in place, Dobbin (1998: 27) argues that "it would have prevented the most powerful corporations in the country from engaging in an unprecedented \$19-million propaganda campaign to subvert the 1988 election, in which free trade was the central issue." This weak regulation and secrecy of third party spending has raised alarming questions about whether money is coming from corporations that ministers regulate in their portfolios, and shows contempt for the public's right to know who is financing their federal parties.

In 2001, the federal Liberal Party collected just under \$16 million in political contributions (CCPA Monitor, October 2002: 13). The largest donations came from corporations that received lucrative federal contracts and subsidies, such as their largest donor Bombardier which gave \$142,500. Banks and other financial institutions have always been amongst the most prominent contributors and this time around was no exception. The Bank of Montreal, Scotia Bank, the Royal bank, and RBC Dominion gave well over \$200,000 in total. Many business associations also gave generously, such as the Canadian Association of Petroleum Producers, the Canadian Bankers Association, and the Canadian Drug Manufacturers Association. These large corporate donations are not

surprising, given that the Liberals are held in such high regard by Canada's business community. In fact, the Liberals have been 'the party of corporate Canada' for some time now. Mark Drake, President of the Canadian Exporters' Association, remarked a number of years ago that his people were "surprised and delighted" by the Liberals, "[i]n opposition they had promised to tear up the Free Trade Agreement. In power, they passed NAFTA...They've been good and they are listening" (Cleroux, 1996: 16).

However, there are signs that political party financing is undergoing considerable change in Canada. On June 11th, 2003 Jean Chrétien's bill to thoroughly alter political financing passed the House of Commons by a vote of 172 to 62. Bill C-24 limits corporate and union donations to political parties to a maximum of \$1,000, allowing them only at the riding association level and not directly to federal parties. The bill also places a limit of \$5,000 on individual donations. Chrétien has personally raised over \$30 million at fundraising dinners since coming to power, with 90 percent of the money donated by corporations (Thompson and Missio, 2003). The NDP and Bloc Québécois supported the bill, while the Canadian Alliance and Conservatives were opposed.⁶ Bill C-34 is similar to the rules already operating in Manitoba and Quebec. Both provinces limit public donations to political parties and have complete bans on financing by corporations and labour unions.

To review, in the first section of the chapter we discussed the interpersonal ties and overlapping memberships of economic, state, and political elites. Aside from the direct influence these career ties afford the business community, members with such

⁶ Also opposed to the bill was Liberal Paul Martin, who has been criticized for his reliance on corporate donations. In May 2003, Martin disclosed that he had raised \$4.3 million since October 2002, in his campaign for Liberal party leader (Thompson and Missio, 2003).

connections are better able to develop a class-wide outlook, which helps to advance the long-term interests of corporate Canada. In the examination of social class backgrounds, it was demonstrated that state officials and high politicians tend to belong to the same class or classes that have dominated Canada's economic system. Similar social backgrounds facilitate a unity of outlook and experience among elites in separate realms of power, leading to similar political values, political strategies, and ultimately class interests. Finally, in the third section, we looked at the role of political party financing in corporate efforts to influence the political elite. As Useem (1984: 132) has argued, this is an area of corporate activity which is particularly sensitive to class-wide pressures, helping to explain why many corporations donate to more than one party. It will be interesting to see how Canadian elites respond to Bill C-34, and if they will alter their political strategies to deal with the threat posed to one of their many modes of influence.

The interpersonal, social, and political ties reviewed in this chapter add an important element to the discussion thus far. Recall that this study is primarily concerned with unity among business elites; however, the connections between elites in other powerful institutions are also worthy of consideration. These ties, separately and in combination, provide Canada's economic elite with an enormous degree of political influence. In so far as there is a division of labour among different elite segments to dominate economic and political life, the shared framework of assumptions and political goals generated by business ties to other social institutions represents an important area of inquiry. In the final chapter, we return to the issue of elite unity but with a focus on the global arena.

Conclusion

The primary question of interest in this research is the degree to which Canada's economic elite represents a unified and class conscious group. As the cohesiveness of this group increases, so too does its ability to achieve solidarity and a working consensus around key issues of public policy. At the outset, this question was framed amongst the competing perspectives of 'unity' and 'disunity' theorists. In brief, disunity theorists, including structuralists such as Nicos Poulantzas and Fred Block, maintain that the elite (or the capitalist class) is not a unified group. Rather, they stress that the elite is marked by differences in economic interests, as well as political goals and objectives. In contrast, instrumentalists and elite theorists – such as Ralph Miliband, William Domhoff and C. Wright Mills – argue that the elite exhibits a high degree of solidarity and, as such, actively pursue a common purpose. These theorists acknowledge that the elite may be divided over a multitude of policies and issues. However, they stress that these differences do not weaken their basic ideological consensus. The argument advanced in this thesis strongly supports that advanced by unity theorists; it has been demonstrated here that the elite represent a highly integrated and class conscious group, one which ultimately overcomes differences in perspectives or tactics to promote policies which advance their long-term interests.

Throughout this work, the Canadian situation has been used to demonstrate the different facets of elite unity. In Part One, the 1970s capitalist offensive exemplified the class consciousness and strategic orientation of Canada's business leaders. The focus of Part Two was on the structure of corporate capital and 'economic cohesion'. First, evidence was presented which suggests that interlocking directorates do more than

simply ally different corporations or allow these groups to exchange resources. In short, these interlocks support the economic elite's cohesiveness and their ability to act as a coordinated group. Following this, the role of mergers and acquisitions, diversification and intercorporate ownership in facilitating elite unity were outlined. Third, the media was used as a specialized case study of concentrated ownership and political influence.

In Part Three, each of the key players in the policy-formation network – policy organizations, think-tanks and foundations – were explored in terms of their role in facilitating the unity of Canada's business elite. While economic cohesion is a necessary condition for this group to advance a unified front, the policy-formation network plays a vital role in producing and implementing a policy consensus. The express purpose of 'intersectoral' policy organizations, like the BCNI, is to enhance elite consensus and class-consciousness around various social issues. In a similar vein, advocacy think-tanks, like the Fraser Institute and the C.D. Howe Institute, provide a series of forums wherein the economic elite can reconcile the divergent interests with the business community and hammer out a policy consensus around key issues. Both policy organizations and think-tanks also exert a powerful influence over political culture. Finally, foundations are a key source of funding for business projects (including those of corporate think-tanks), and provide another venue for business leaders to congregate and class-based decisions to be made. The last section, Part Four, concluded the analysis by describing the ties between the economic elite and elites in other spheres of power.

The evidence provided in this study clearly supports the position – advanced by instrumentalists and elite theorists alike – that the economic elite is, at least in Canada, an incredibly unified and class conscious group. As argued throughout, this has serious

implications for the organization of social and political life. In the remainder of the conclusion, future areas for research will be identified and outlined, with a particular focus on the implications of examining these issues within a global framework.

This research offers a view of elite networks in the Canadian context. Future research in other countries and of a comparative nature is needed to assess the degree of elite unity and the social organization of capital across nations. Specifically, research might assess the degree to which elite cohesion varies with the strength of working class opposition, the character of welfare states, and other possible sources of national variation. Comparative research of this sort has an impressive record in other domains, such as the comparative studies of welfare regimes.

In addition to the need for comparative studies, there is also a demand for more research on the Canadian situation. In 1998, Ornstein discussed the paucity of contemporary political economy research in Canada, arguing that “[n]ew studies of Canadian elites are overdue. Not only would they address critical questions about the exercise of political and economic power in Canada, but an understanding of elites must be an important element of any description of social inequality” (p. 174). One of the overriding purposes of this study was to document the existence of a high level of social unity and political consensus among the Canadian elite, as well as to elucidate the mechanisms through which this has been achieved. What begs further exploration is how elite unity is translated into concrete policy victories. The issue of free trade was reviewed in chapter five; a reasonable follow-up would be to research the consequences of elite cohesion in other vital policy realms, such as health care, employment, old age security, labour market policy, and taxation.

Finally, a third area for future research involves the analysis of elite networks developing at the global level. The necessity of such an undertaking is evidenced by a variety of global developments, including the emergence and proliferation of global policy organizations and supranational trade bodies, the recently expanding networks of interlocking directorates among transnational corporations, and the continual concentration of capital. The following will elaborate on the issue of elite unity within the context of globalization.

Globalization and the Elite Unity Debate

Much theoretical debate and empirical network analyses have focused on understanding elite unity at the national level. This study, for one, provides a detailed investigation of elite integration in the Canadian context. Though these types of empirical studies have greatly contributed to our understanding of the issues, a gap in the literature remains. Few empirical studies have examined the social structures and capacity for political action of the *global* economic elite, or what others have conceptualized as the 'transnational capitalist class' (Robinson and Harris, 2000; Sklair, 2001; Carroll and Carson, 2003). While it is not easy to determine at what point national classes become transformed into transnational classes or to define how these classes are constituted, research on international elite integration could not be more timely. As a global orientation among business elites takes shape and the power of transnational corporations (TNC's) increases, we must shift our focus to the workings of the economic elite in the global political arena. The possible repercussions of this concentration of power are dire at best.

Typically, TNC's are only seen as contributing to the processes of *economic* globalization, which downplays the determined *political* motives of these huge institutions. In the words of Dreiling (2000: 22), "the liberal assumption that the diverse economic interests of business generate political division leaves us with a paradox regarding the political sources of globalization." This assumption – taken up by more than 'liberals' – detracts from the importance of global corporate unity in shaping politics at the international level. The global elite have the power to create and/or modify international organizations and forums such as the World Trade Organization (WTO), the World Bank (WB), the International Monetary Fund (IMF), the Inter-American Development Bank, and the G-7 planning meetings of the rich nations. They also play a key role in the policy-formation process, as evidenced by international agreements such as the North American Free Trade Agreement (NAFTA), the General Agreement on Tariffs and Trade (GATT), the Free Trade Agreement of the Americas (FTAA), and the Multilateral Agreement on Investment (MAI). According to Noam Chomsky (2002: 381), a new "de facto world government" is emerging within these organizations and agreements, one designed to serve the needs of the "new international corporate ruling class" and to ensure that the general population has no role in decision-making. Clearly, the mechanisms of social cohesion available to the global economic elite have profound implications for the exercise of political power, just as they do at the national level.

The Transnational Capitalist Class: National Networks in Decline?

Until the 1970's, multinational corporations extended nationally directed corporate networks globally without significantly weakening their national focus. More recently, the situation has changed; in the past few decades, the globalization of finance

and industry has gradually eroded the structural integration of national economies. One of the consequences of these changes is a growing fragmentation of national networks and a subsequent decline in the number of linkages between elites in different nations.¹ It appears, then, that nationally organized capitalism is on the decline, but this does not render the actions of states meaningless or ineffective. As is argued below, states do not impede globalization as much as they facilitate it, by providing a vital power base and set of organizing tools for TNC's.

In conjunction with the growing research on economic globalization are explorations of transnational class formation.² The vast majority of these studies share a state-centred concept of class; that is, they hypothesize the existence of national bourgeoisies who converge with other national classes at the international level (Robinson and Harris, 2000). Thus, “[w]orld ruling class formation is seen [by these scholars] as the international collusion of these national bourgeoisies and their resultant international coalitions” (p. 14). William Robinson and Jerry Harris disagree, arguing instead that globalization is establishing the material conditions for the rise of an elite group whose “organic composition, objective position and subjective constitution ... are no longer tied to nation-states” (ibid). In other words, they believe that a transnational capitalist class has emerged which functions as a global ruling class completely ‘emancipated’ from its national foundations. This TCC is currently constructing a new global historic bloc “composed of the transnational corporations and financial institutions, the elites that manage the supranational economic planning agencies, major

¹ Some characterize this process as ‘the end of organized capitalism,’ which involves “the uneven transition in the world economic system’s centre from a capitalism more or less structured around national corporate economies regulated by nation states to a more globalized capitalism subject to less effective national regulation” (Lash and Urry, 1987 cited in Carroll, 2002: 340).

forces in the dominant political parties, media conglomerates, and technocratic elites and state managers” (p. 13).

If the thesis advanced by Robinson and Harris is correct, then investigations of elite unity at the national level need to be re-conceptualized. Many scholars, however, offer a contrary position. Kees van der Pijl (2001: 492), for one, argues that “the real-life ruling class cannot dispense with the national foundation of its power,” even if it fully embraces globalization in principle. He goes on to say, “[w]hether we are speaking of Canada or India, Romania or even the United States, the fate of its ruling class will be decided in their respective countries and not in the Alpine winter resort of Davos [home to the meetings of the World Economic Forum], however much the national representatives may bask in the light of transnational brotherhood” (p. 497). Furthermore, the capacity of elites within different nations to branch out internationally continues to be deeply rooted in the complex and interdependent relationships around which their own national societies are constructed. According to this view, the global economic elite is founded in and garners its power from a national base. These arguments provide evidence that consideration of the nation state is still a worthy endeavour.

To highlight the potential power of nation states, van der Pijl uses the examples of contemporary Japan and South Korea, whose state-directed economies have provided them with a ‘buffer’ to withstand the impact of globalization and maintain their sovereignty. In a similar vein, Chomsky (cited in Chomsky et al., 2002: 240) notes that Japan has a particularly efficient system of state-coordination directed by the Ministry of International Trade and Industry (MITI). But he also stresses that every industrial country in the world has a state-coordinated economy, implying that the respective domestic

² For an overview, see Robinson and Harris (2000: 13-14).

elites in every nation are still dependent on state industrial policies for their prosperity. This point is also echoed by Dobbin (1998: 84), when he says that “[w]hat transnational corporations bring to this new era of corporate control is precisely their global reach and aspirations. They don’t want the state to disappear because they could not operate for a week without it. But they do want to put in place appropriate state institutions that serve their particular global agenda.”

Recent research by Carroll (2002) on Canadian interlocking directorates also reveals the persistence of a robust national network in spite of global pressures. Specifically, Carroll asserts that the basic structure of the directorate network – one concentrated along a financial-industrial axis – has not changed. This is not to say, however, that globalization has had no effect on the Canadian elite. Carroll points out that the core of the network has shifted from national companies to transnational ones – or the Canadian-based segment of the transnational capitalist class. Despite the prominence of TNC’s in the Canadian network, “[t]ransnational finance capital has radiated from Canada in a way that has *not* disorganized the national network but has *embedded* it more extensively in a circuitry of global accumulation” (p. 367, original emphasis).

Carroll and Fennema (2002) arrive at much the same conclusion in their work. They argue that the process of transnational class formation (in this case, through global interlocking directorates) has not fragmented national corporate networks but has occurred in tandem with their reproduction. In their words, “the transnational network is a kind of superstructure that rests upon rather resilient national bases” (p. 414). That is to say, TNC’s continue to inhabit a home country base from which they receive oversight and sponsorship. Thus, the persistence of nationally-based networks of finance capital

may be “part of the facilitation of globalization rather than a barrier to it” and the “vehicle for an active adaptation to changing global conditions through the mobilization of established patterns of class-wide coordination” (Carroll and Alexander, 1999: 351). The above strongly suggests that those in charge of the TNC’s and other global bodies have not (as Robinson and Harris suggested) shed their national foundations. National elite networks remain vital for corporate rule both domestically and globally, and an important topic of inquiry in our empirical investigations.

Mechanisms of Global Corporate Unity

The widely held image of corporations battling it out ‘toe-to-toe’ in the Canadian market is one myth which obscures the extent to which the economic elite is unified and integrated. The same is true on an international level. While one might assume that a vast number of corporations are competing for power, a relatively small number of large TNC’s – joined together through a series of strategic alliances and joint ventures, and utilizing various methods of collusion and risk avoidance – assume a hold over international economic affairs. Indeed, many transnational companies are simultaneously involved (directly or indirectly) in productive, commercial, and financial capital operations and investments. Clearly, the TCC is dominant economically, but is it also politically dominant? As has been argued throughout this work, the political power of the elite rests on its capacity for group cohesion, class consciousness, and unified political action. Because many of the same unifying mechanisms that integrate national elite networks are now available at the global level, one must question the extent to which this translates into political power and influence.

Robinson and Harris (2000) argue that the leading strata of the TCC first became politicized in the early 1970's, in concert with the international capitalist offensive. This 'politically active wing' of the TCC set out to create/transform a group of global economic and political institutions to solidify international corporate dominance.³ Together, Robinson and Harris (2000: 27) refer to these institutions as a transnational state (TNS) apparatus, similar in conception to the 'de facto world government' discussed by Chomsky (Chomsky et al., 2002: 381). Through the TNS apparatus, this increasingly organized global elite developed a program of economic and political restructuring centred around the principles of market liberalization – or what later became known as the 'Washington Consensus' (p. 28-29).⁴ The TNS is also critical for enhancing elite integration and policy consensus at the international level. In this work, the TNS is aided by a system of global interlocking directorates, the ownership and control structures of transnational capital, the global media, world class universities and business schools, global policy organizations (some of which form part of the TNS), transnationally orientated think-tanks, and leading corporate foundations. As this list indicates, there is a striking parallel between the unifying mechanisms available to national elite networks and those available to the global elite. While a comprehensive investigation of these matters is well beyond the scope of this work, the process of transnational elite

³ Some of these institutions include the International Monetary Fund (IMF), the World Bank, the World Trade Organization (WTO), the Organization for Economic Cooperation and Development (OECD), the European Union (EU), the Trilateral Commission, the World Economic Forum (WEF), and the G-7 Forum).

⁴ The Washington Consensus aims to facilitate the integration and subordination of national economies into one global economy, and to generate the conditions for successful capital accumulation. According to Robinson and Harris (2000: 41), the program "seeks to harmonize a wide range of fiscal, monetary, industrial, and commercial policies among multiple nations, as a requirement for fully mobile transnational capital to move simultaneously, and often instantaneously, across numerous national borders." Another goal of the consensus is to ensure that the poor nations of the world remain products of exploitation and do not 'raise their heads.'

socialization represents an extremely fruitful area for future investigation. These integrative mechanisms “contribute to the development of worldwide networks that link local capitalists to one another, and generate an identity of objective interests and of subjective outlook among these capitalists around a process of global accumulation” (Robinson and Harris, 2000: 32).

In addition to Robinson and Harris’ work, a number of other researchers have analyzed the processes of transnational class formation and global unity. One example is William Carroll and Meindert Fennema’s (2002) longitudinal study entitled, ‘Is There a Transnational Business Community.’ This research compared the networks of interlocking directorates among the 176 largest corporations in the world economy for 1976 and 1996. The authors note that in 1996, well over half of the transnational linkers were outside directors; that is, they were not directly involved in the management of any corporation in the sample. By comparison, in 1976, only about one quarter of transnational linkers were outside directors. As discussed in chapter two, outside directors play a key role in unifying elite networks, largely because they do not represent a particular corporation and can more ‘objectively’ promote the economic and political interests of the elite as a whole. On the basis of these findings, Carroll and Fennema conclude the following:

There is some support for the hypothesis that a transnational business community is in the making ... the striking tendency by 1996 for transnational linkers to be uninvolved in managing specific corporations supports our thesis that transnational corporate interlocking is less about intercorporate control than it is about the construction of an international business community.

In another study, Carroll and Carson (2003) build on this work by analyzing five global policy organizations. These include the Trilateral Commission, the World

Economic Forum, the Bilderberg Conference, the International Chamber of Commerce, and the World Business Council for Sustainable Development. Each acts as a vehicle for international elite integration by serving as a site for business activism and political strategizing, and by mediating any ensuing fractional conflicts. The authors situate the five organizations within a larger structure of corporate power constituted through interlocking directorates. In so doing, Carroll and Carson report that a mere few dozen individuals weave the corporate-policy network together through their participation in transnational interlocking and/or multiple policy groups. This 'inner circle' gives the network its transnational character. They also found that 17 corporate directors, some of whom sit on as many as four policy boards, assume an overabundance of relations with the different policy groups. The additional network interlocks created by the policy groups make an extraordinary contribution to global elite integration. In concert with the research by Carroll and Fennema (2002), these findings suggest that a well-integrated global business community is being fashioned, supported by the work of global policy organizations and interlocking directorates.

Yet, the question of whether or not the international business community can be described as unified remains unanswered. Although Robinson and Harris acknowledge the existence of many unifying mechanisms at the global level, they maintain that the transnational elite is fundamentally divided. They write:

Despite its organization and coherence, the transnational bourgeoisie is not a unified group ... fierce competition among oligopolist clusters, conflicting pressures, and differences over the tactics and strategy of maintaining class domination and addressing the crisis and contradictions of global capitalism make any real internal unity in the global ruling class impossible (p. 31).

However, Robinson and Harris temper this statement by arguing that the differences are marked more by tactics than by strategy. In other words, the debate is not over fundamental issues like free trade or long-term foreign investments, but on how to best protect the global capitalist system. This line of argument suggests that disagreements among segments of the global elite occur *within a framework of consensus* on underlying values. Recall Miliband's comments cited in the first chapter of this study; "[b]usiness, it could be said, is tactically divided but strategically cohesive; over most of the larger issues of economic policy, and over other large national issues as well, it may be expected to present a reasonably united front" (1969: 141).

Hence, Miliband's qualification seems to apply not just to national classes but to the global elite as well. Again, battles may be fought within corporate boardrooms and policy organizations over *how* to best defend elite interests but this does not suggest conflict over *what* is to be defended. It is problematic to conceptualize tactical divisions, however strong, as a barrier to effective political unity. Moreover, if a particular group within the elite can think and act in the overall interests of capital – and has the ability to persuade other groups to accept its strategic vision – business unity can be effectively generated. Given the potential implications of an operational global inner circle, future research is needed to assess the extent of global business power and its implications. Before concluding this discussion on globalization, we will briefly analyze one final unifying mechanism.

Concentrated Economic Ownership

The concentration of capital into relatively few large institutions is by no means an exclusively national phenomenon. Until the 1980's, most merger and acquisition

activity did take place within national boundaries. In the past couple of decades, however, this activity has become one of the primary ways for corporations to expand their operations and activities internationally. According to Robinson and Harris (2000: 34), of the \$589 billion in total global Foreign Direct Investment (FDI) in 1997, \$342 billion (58% of the total) went into mergers and acquisitions. In other words, only about two-fifths of the money went into new investments, while the rest was used to purchase companies in other nations. Furthermore, cross-border mergers and acquisitions have not been confined to the most globalized sectors of the world economy, but have embraced “mega-retailers, companies trading in primary commodities, chemicals, and numerous services, from legal firms to insurance and management” (Robinson and Harris, 2000: 34).

Among the thousands of transnational corporations (TNC's), the top 200 are the major players. Between 1983 and 1999, their combined sales grew to the equivalent of 27.5 percent of world GDP. This figure becomes even more staggering when one considers that they employ less than one percent of the world's workforce (Anderson and Cavanagh, 2001: 18). Indeed, some TNC's, like Wal Mart, General Motors and Exxon Mobile, are so large that their GDP/sales dwarf that of many nations. A look at the concentration levels in a few global industries illustrates the magnitude of the situation. For example, the top 10 pharmaceutical companies control an estimated 48 percent of the \$317 billion world market. The top 10 leading grocery retailers account for over one-sixth of the total global food retail market, estimated to have a value of \$2.8 trillion (Erosion, Technology and Concentration Group, 2001). The sheer size of these companies is something to behold. Consider that the total Canadian gross farm revenues

in 1998 totalled \$29 billion. In contrast, three agri-food giants (Cargill, Phillip Morris Inc., and Nestle) had revenues that totalled \$260 billion in the same year (Canadian Centre for Policy Alternatives, 2000: 21). The concentration and power of TNC's have serious consequences for citizens of all nations. This is largely because, as David Rockefeller pointed out in 1994, "We (the transnational corporations) are now in the driver's seat of the global economic engine. We are setting government policies instead of watching from the sidelines" (as cited in Finn, 2000: 80). There is no doubt that the network of TNC's constitute the 'commanding heights' of the global economy.

From 1990 to 2000, the worldwide value of corporate mergers and acquisitions increased from US \$462 billion to over US \$3.5 trillion (Owen, 2001). Much like the situation in Canada, most of the increase in merger activity came at the tail end of the decade. From 1998 to 1999, merger volume increased 36 percent globally, moving forward at an unbelievable \$1.6 billion per business hour (Grubb and Lamb, 2000: 9). Enormous planetary empires have been crafted, largely through cross-border mergers and acquisitions, as well as the intercorporate ownership networks of transnational corporations. This has been accompanied by a staggering concentration of wealth and a sharp and mounting disparity between the rich and the poor around the globe. To demonstrate, in 2000, the richest 225 billionaires had more money than two billion of the world's poorest people (Finn, 2000: 152).

For nearly all Canadian industries, a considerable majority of the mergers and acquisitions which transpire continue to involve Canadian companies integrating with one other. Recently, however, many of the *largest* transactions have included foreign

Table 9.1
Of the 20 Largest Mergers and Acquisitions in 2001, 15 were Cross-Border Deals

Deal	Value in Billions
Conoco buys Gulf Canada	6.7
Duke Energy buys Westcoast Energy	5.5
Devon Energy buys Anderson Exploration	5.3
Newmont Mining buys Franco-Nevada and Normandy Mining	5.3
Solectron buys C-MAC Inds.	4.1
Nortel Networks buys JDS Uniphase's fibre-optic assets	3.8
Royal Bank buys Centura Banks	3.5
Barrick Gold buys Homestake Mining	3.3
Burlington Resources buys Canadian Hunter Exploration	3.3
Sun Life Financial buys Keyport Life and Independent Financial Marketing	2.6
Domtar buys Georgia-Pacific paper mill assets	2.3
Celestica buys Omni Industries	1.3
Calpine buys Encal Energy	1.3
Deutsche Lufthansa buys Sky Chiefs	1.3
Canadian National buys Wisconsin Central	1.2

Source: Davies, Charles (2002) 'New York State of Mind.' *National Post Business* May: p. 54

companies. Of the 20 biggest mergers and acquisitions completed in Canada in 2001, 15 were cross-border deals (Davies, 2002: 54). These are illustrated in Table 9.1. Canadian banks have been particularly active in cross-border shopping recently, led by the Royal Bank. In 2001, it acquired Dain Rauscher Corporation in a US \$1.8 billion deal as well as the Boston-based Tucker Anthony Sutro Corporation. It also picked up Centura Banks Inc. for US \$2.2 billion, one of the 15 largest deals of 2001 (table 9.1). Including the mortgage and insurance companies it purchased in 2000, the Royal Bank gained two million U.S. customers in 18 months. The Bank of Montreal has also been quite active, spending more than \$2 billion on U.S. operations since 1999. Not to be left out, the Toronto-Dominion Bank recently bought two U.S. equity-options market-makers, the Stafford and LETCO groups, and has been negotiating to offer banking services in Wal-Mart stores across the United States (Davies, 2002: 52). It appears that when Paul Martin

closed the door in 1998 on the proposed mergers between the Bank of Montreal and Royal Bank, and the CIBC and TD Bank, the banks collectively decided to look elsewhere rather than waiting for him to change his mind.

As concentration has continued to increase in tandem with declining capital regulation, the global elite has become more cohesive and far more powerful. Global alliances now link a very large proportion of the world's corporations, including almost all of the giant oligopolistic competitors. Unquestionably, this incredible concentration of power and wealth has come at the expense of most of the world's people, leading to astonishing levels of inequality and poverty. It should be obvious, even to the most cynical observer, that the solution to most human misery and injustice must involve a more equitable allocation of the world's resources.

Challenging Corporate Rule

To effectively oppose corporate rule, one must first establish the nature and conditions of elite dominance; that is, elucidate how the elite exerts their influence over the political, social, and economic spheres of social life. The overriding purpose of this thesis is to contribute to this endeavour. The institutionalized structures of elite power in Canada, and, to varying degrees in nations across the globe, have produced marked social inequalities and solidified a multitude of social injustices. The millions of people suffering around the world, and the scarcity of national and global principals to address this catastrophe demands our attention. In recent times, one can locate numerous signs of resistance to the international corporate order, perhaps symbolized most dramatically by the "battle in Seattle" that raged around the WTO's 1999 Ministerial meetings. Similar mass protests have greeted meetings of the IMF, the World Bank, and many other forums

of elite rule.⁵ These acts of resistance are symptomatic of the growing awareness of, and dissatisfaction with, the inequitable gap between the interests of those at the commanding heights of the global economy and the vast majority of the world's population. They also offer a verifiable challenge to agreements ensuring such inequality, which are being proposed, negotiated, and ratified behind closed doors (with perimeters of armed forces, police pepper spray, jail cells, and even death for those who do not passively accept this state of affairs).

Unquestionably, the potential for change does exist but it requires that the public be sufficiently informed, and that they act collectively to oppose the elite agenda at the national and global level. Murray Dobbin (1998: 301) tells us, "[t]he change of political consciousness required to mobilize hundreds of thousands of people in civil disobedience should never be underestimated; neither should the strength of the social solidarity built by engaging in such actions." The struggles against elite rule are bound to be long and difficult but current levels of poverty and inequality (and the likelihood that the situation will continue to worsen) demand that they take place. Significantly, a number of important victories have already been achieved. One of these, briefly discussed in chapter five, was the blockage of the Multilateral Agreement on Investment (MAI). Chomsky summarizes the significance,

A lot of people feel that we can't do anything, that prospects are gloomy. I don't think that's true at all. This is a rather dramatic illustration of the opposite. Against tremendous odds, confronting the most concentrated power in the world, the richest, most powerful countries, transnational corporations, international financial institutions, and close to total control of the media ... grassroots activism was able to stop it (cited in Chomsky and Barsamian, 2001: 5).

⁵ Notably, formerly zealous advocates of the global economic system – like financier George Soros and World Bank economist Joseph Stiglitz – are now calling for regulatory reforms and a more equitable distribution of wealth and power.

There have also been recent successes closer to home. In December 2002, The House of Commons voted to endorse Canada's ratification of the Kyoto Protocol on climate change. In the years prior to this, Canadian business, led by the oil and gas sector in a coalition with other manufacturing and resource sectors and Canadian policy organizations, had "mounted its largest effort to date to influence the environmental policy of the government of Canada. It had conducted an all-out campaign to prevent ratification" (MacDonald, 2003: 4). The three policy organizations intimately involved in the effort are familiar players: the BCNI (now the CCCE), the Canadian Manufacturers and Exporters, and the Canadian Chamber of Commerce. In spite of the united front and intense lobbying of Canadian business, it lost the battle and the agreement was signed. There is little doubt that the collective stance assumed by 'the other side' – the environmental movement, organized labour, church groups, MP's, globalization activists, and a legion of concerned citizens – played a key role. This victory, like that of the MAI, is but one example that a just and equitable society depends on citizens, with firm roots in all sectors of the population, coming together to challenge the current economic and political order.

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Appendix A: Think-Tank – Corporate Director Board Interlocks

Fraser Institute

Brandt C Louie – Slocan Forest Products Ltd., Royal Bank of Canada

Gwyn Morgan – CEO of Encana Corporation., HSBC Bank Canada

Phillips Roger – Canadian Pacific Railway Ltd., Fording Inc., Imperial Oil Ltd., Toronto-Dominion Bank

David Radler – Hollinger Inc., CanWest Global Communications Corporation, West Fraser Timber Company Ltd.

William W. Siebens – Petro-Canada

P.G. White – Cinram International Inc., Transat A.T. Inc., Hollinger Inc.

C.D. Howe Institute

André Bérard – National Bank of Canada, Groupe BMTC Inc., Noranda Inc., Saputo Inc.

William Black – CEO of Maritime Life Assurance Company

Jack L. Cockwell – Brascan Corporation, Astral Media Inc., Brookfield Properties Corporation, Nexfor Inc., Noranda Inc.

F. Anthony Comper – CEO of Bank of Montreal

Peter W. Currie – Royal Bank of Canada

Jim Dinning – Finning International Inc., Shaw Communications Inc.

N. Murray Edwards – CEO of Magellan Aerospace Corporation, Ensign Resource Service Group Inc., Penn West Petroleum Ltd., Business Development Bank of Canada (crown corporation), Canadian Natural Resources Ltd., Rio Alto Exploration Ltd.

John T. Ferguson – TransAlta Corporation, Royal Bank of Canada, Suncor Energy

Kerry L. Hawkins – CEO of Cargill Ltd., Hudson's Bay Company, NOVA Chemicals Corporation, Shell Canada Ltd., TransCanada PipeLines Ltd.

Stephen Jarislowsky – Goodfellow Inc., Slocan Forest Products Ltd., Velan Inc.

David W. Kerr – Noranda Inc., Brascan Corporation, Canada Life Financial Corporation, Ontario Power Generation Inc. (crown corporation)

The Hon. Frank McKenna Jr. – Acier Leroux Inc./Leroux Steel Inc., CanWest Global Communications Corporation, Bank of Montreal, General Motors of Canada Ltd., Noranda Inc., Shoppers Drug Mart Corporation

John T. McLennan – CEO of AT&T Canada Inc., Hummingbird Ltd.

Jack M. Mintz – Brascan Corporation

William Morneau Jr. – AGF Management Ltd.

Peter J. Nicholson – Aliant Inc. (Subsidiary of Bell Canada, which is a subsidiary of BCE Inc.), Stelco Inc.

David P. O'Brien – Air Canada, Fairmont Hotels and Resorts Inc., Inco Ltd., Molson Inc., Royal Bank of Canada, TransCanada PipeLines Ltd.

Sheila H. O'Brien – CFM Corporation

Ronald Osborne – CEO of Ontario Power Generation Inc. (crown corporation), Air Canada, Shell Canada Ltd., Sun Life Financial Services of Canada

Michael E.J. Phelps – Canadian Imperial Bank of Commerce, Canadian Pacific Railway Ltd., Canfor Corporation

Roger Phillips – Canadian Pacific Railway Ltd., Fording Inc., Imperial Oil Ltd., Toronto-Dominion Bank

Charlotte A. Robb – NAV CANADA

Joseph L. Rotman – Bank of Montreal, Barrick Gold Corporation, Masonite International Corporation

Atlantic Institute for Market Studies

Purdy Crawford – AT&T Canada, Canadian National Railway Company, Emera Inc., Maple Leaf Foods Inc., Petro-Canada

Hon. John C. Crosbie – Bell Canada International Inc. (subsidiary of BCE Inc.), FPI Ltd.

Peter C. Godsoe – CEO of Bank of Nova Scotia, Empire Company Ltd.

John T. McLennon – CEO of AT&T Canada, Hummingbird Ltd.

J.W.E. Mingo – Onex Corporation

Peter J.M. Nicholson – Aliant Inc. (subsidiary of Bell Canada, which is a subsidiary of BCE Inc.), Stelco Inc.

James S. Palmer – Canadian Broadcasting Corporation (crown corporation), Canadian Natural Resources Ltd., Magellan Aerospace Corporation

Derrick Rowe – CEO of FPI Ltd.

Paul D. Sobey – CEO of Empire Company Ltd., Bank of Nova Scotia, Emera Inc., Wajax Ltd.

Harry R. Steele – CHC Helicopter Corporation, Dundee Bancorp Inc., Hollinger Canadian Newspapers, LP (subsidiary of Hollinger Inc.)

The Conference Board

Robert M. Astley – Sun Life Financial Services of Canada

Eleanor R. Clitheroe – Dofasco Inc., Inco Ltd., Toronto-Dominion Bank

Patrick Daniel – CEO of Enbridge Inc., Enerflex Systems Ltd.

Marcel Dutil – CEO of The Canam Manac Group Inc., Acier Leroux Inc./Leroux Steel Inc., The Jean Coutu Group (PJC) Inc., MAXX Inc., National Bank of Canada

David L. Emerson – CEO of Canfor Corporation, British Columbia Ferry Corporation (crown corporation), BC Gas Inc., Royal and SunAlliance Canada

William C. Fraser – CEO of Manitoba Telecom Services Inc.

Christina A. Gold – Torstar Corporation

John S. Hunkin – CEO of Canadian Imperial Bank of Commerce

Peter S. Janson – DuPont Canada Inc.

Jacques Lamarre – CEO of SNC-Lavalin Group Inc., Canadian Pacific Railway Ltd.

Pierre Lortie – The Canam Manac Group Inc.

David McD. Mann – CEO of Emera Inc.

Lorna R. Marsden – Manulife Financial Corporation

H. Stanley Marshall – CEO of Fortis Inc., Toromont Industries Ltd.

Gilles P. Ouimet – Pratt and Whitney Canada Corporation

Madeleine Paquin – Canadian Pacific Railway Ltd., Sun Life Financial Services of Canada

Réal Raymond – CEO of National Bank of Canada, COGNICASE Inc.

Raymond Royer – CEO of Domtar Inc., Power Financial Corporation (subsidiary of Power Corporation), Shell Canada Ltd.

John W. Sheridan – Bell Canada (subsidiary of BCE Inc.), Manitoba Telecom Services Inc.

Stephen G. Snyder – CEO of TransAlta Corporation, Canadian Imperial Bank of Commerce

John H. Tory – CEO of Rogers Cable Inc., Rogers Media (both subsidiaries of Rogers Communications Inc.), Cara Operations Ltd.

John M. Van Brunt – CEO of Agrium Inc., Canpotex Ltd.

Michel Vennat – CEO of Business Development Bank of Canada (crown corporation), NAV CANADA

Douglas W. G. Whitehead – CEO of Finning International Inc., BC Gas Inc.