ECONOMIC INTEREST GROUPS IN CANADA

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By

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Abstract

The question dealt with in this thesis is the existence of interest groups within the Canadian economy. An examination of the literature shows that, although this concept has only been applied in one study of the Canadian economy, numerous authors have discussed the formation, general characteristics, and effect of interest groups within the economy of other countries, especially the United States. From these analyses, a definition of interest group is constructed. An interest group is defined as a set of industrial corporations and financial institutions which are allied in a number of ways, (for example, by interlocking directorates and ownership, use of the same brokerage company, corporate law firm, bond trustee, transfer agent, and by historical affiliation), in their struggle to maximize profits, expand markets, and increase their capital supply.

Previous research indicates that the main advantages of participation within ~~an~~ interest groups are increased profits and ~~less~~ reduced (balanced) risks. The interest group reduces conflict between members of the group itself, but also promotes conflict between groups for unaffiliated companies and markets.

The empirical study focuses upon the relationship between a selected sample of major industrial corporations and financial institutions, and the five largest Canadian banks-- the Bank of Montreal, the Royal Bank, the Canadian Imperial Bank of Commerce, the Toronto Dominion Bank, and the Bank of Nova

Scotia. Three measures--interlocking directorates, interlocking ownership, and the use of the same transfer agent and/or bond trustee--are utilized to determine whether corporations and financial institutions consistently form into groups based around the banks.

The data roughly fits into an interest group model and a comparison with a previous study of interest groups in Canada shows a certain historical continuity of ties. However, there are several factors which indicate that Canadian interest groups are loose alliances. American multinationals, although their connections to the Canadian groups are noted, are shown to have their primary ties to the parent corporation. There are many corporations which have relatively equal ties to more than one banking group. In addition, there is some discrepancy between the groups indicated by the separate measures. The analysis concludes, however, that there is sufficient evidence to affirm the existence of interest groups in Canada. It is suggested that the Canadian capitalists possess strong international affiliations and ideology, and that there is some evidence to indicate the development of international alliances in a form similar to national interest groups.

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Introduction

The structure of the Canadian economy has increasingly been the subject of analysis as attention has turned to the phenomena of the American takeover of Canadian natural resources, manufacturing, universities, mass media, and cultural identity. Social scientists are finally realizing the impact of economy--its structure, ownership, and operation--has on the rest of society. The primary purpose of this thesis is to examine one aspect of the economy--to determine whether economic interest groups--a number of sets of financial and industrial corporations which form informal alliances and which evidence their close working relationships through trade reciprocity, mutual ownership, interlocking directorates, historical ties, similar broad economic policies, and use of the same investment houses, corporate law firms, transfer agents, and bond trustees--exist within the Canadian economy and, in conclusion, to comment upon some implications this has for the Canadian power structure.

The interest group concept has been applied to numerous countries and different historical periods. One of the earliest was Lenin who in 1917 described the powerful financial groups in Germany which were centered around the big German banks. In addition, he also mentioned financial groups in England, France, and the United States.[1] Interest groups have been located over a considerable time span in the United States economy by researchers, some of the most notable being Paul M. Sweezy (1935), Victor Perlo (1957), Ferdinand Lundberg (1968), Richard Pelton

(1970), Mary Oppenheimer and Robert Fitch (1970), and Joel Levine (1973).[2] Studies from England, India, Japan, and Sweden also confirm the exitence of interest groups within each of these economies.[3]

There has been little research done in Canada on the question of the upper class and interest groups. Most of the studies done have been handicapped by the lack of data available on industrial concentration, ownership and control, reciprocity agreements, influence or power of directors, and the process of decision making. However there are several books and articles which have attempted to open up this field of research.

Gustavus Myers was one of the first people to historically examine the class structure in Canada, with particular emphasis upon the upper class. His book on Canada, which was intended to be the first volume in a continuing series, covers the years from the 1500's until the 1890's.

Myers pointed out that the trend towards concentration of wealth and monopoly began as early as 1879. He estimated that less than fifty men controlled more than one-third of Canadian wealth.

> By means of their control of financial markets and distributive systems, a small number of men may effectively control sources of wealth which still may remain under individual ownership.... 4

These men controlled "diversified and often financially interconnected, sources of wealth."[5] One area of great concentration which Myers noted was that of the banking sector.

Even the United States, with its small group of financial giants, had nothing compared to the extreme centralization in Canada. This concentration gave the banks tremendous power.

> The immense capacity of this concentration in controlling the finances and every sphere of activity dependent upon finance, is so obvious that it requires no explanation. 6

Myers noted one of the earliest bank-corporation associations which has continued for almost one hundred years, i.e. the Bank of Montreal and the Canadian Pacific Railway Company.[7]

Using data from 1943, Watt Hugh McCollum also estimated that fifty men controlled the bulk of the Canadian economy.

> Through their seats on the directorates of numerous banks and insurance companies, transportation and public utility companies, and through their interlocking directorates, these 50 men control the major portion of the means of production, distribution and exchange --and through them, the economic, political and educational activities of the nation. 8

McCollum found these men to be of Anglo-Saxon, Celtic, or French stock, primarily Protestant, and mostly Canadian citizens. Out of the 50 "Big Shots," as McCollum terms them, 47 of them were directors of chartered banks in Canada.[9]

McCollum drew upon the Canadian Year Book, Government Commission Reports, and Financial Post Surveys to document the extent of monopolisation that had taken place in Canada. He argued that monopolisation had proceeded farther in Canada than the United States.

> Two hundred non-financial corporations in the United States possess 49 percent of all non-

> banking corporate assets, whilst one hundred non-financial corporations in Canada possess more than 85 percent of all non-banking corporate assets in this country. 10

It is these large corporations that the 50 men control and through which exert their power over every major industry in Canada. McCollum states that government commissions had uncovered the existence of price maintaining agreements between corporations. He also presented data showing that the profits of the monopoly corporations averaged about 50 percent higher than the rest of Canadian industry during the years 1936-1942.[11] The historical phenomena of an upper class controlling a number of highly concentrated corporations seemed to be holding fast.

In 1957, Peter C. Newman did a survey to determine who were "Canada's biggest big businessmen," those men "who stand at our economic summit."[12] Newman came up with one hundred men who "exercise a decisive measure of policy control over almost half of the country's material wealth...."[13]

Newman's study was based on the number of directorates held and also total assets of the known Canadian companies represented by the individual. Newman comments that there are several drawbacks in using these criteria. First of all, many important figures such as Samuel Bronfman and John David Eaton were not included because their holdings were either private firms which do not report financial statements, or holdings which were owned largely outside of Canada.

Secondly, many of the people connected with wholly owned American subsidiaries were not considered because their companies do not separate their financial statements from that of their United States parent corporation. Thus corporations like General Motors and its directors were excluded.

A third reservation is that the sheer number of corporations a person represents is not a good indication of his importance in the upper class. Newman warns:

> Some men whose names rank high on this informal listing of leading Canadian directors are not, in fact, particularly wealthy or particularly powerful. 14

For example, in Newman's list, the man who sits on the greatest number of corporate boards is "an obscure apple farmer" from Nova Scotia.[15] The results of Newman's study are not particularly revealing because they substitute quantity for quality. Consideration must be given, not only to how many corporations the individual is connected, but also how important the corporation is within the economy.

Newman errs in placing the emphasis on the individual rather than the institutional position. According to C. Wright Mills, power is anchored in the major institutions. "No one, accordingly, can be truly powerful unless he has access to the command of major institutions...."[16]

Myers foresaw the pitfalls of the kind of analysis that Newman utilizes. He directed his criticism specifically at historians who focus on personalities rather than social and economic forces.

> In the mistaken aim to present personalities as the determiners of events, these writers have far subordinated or ignored the realities,

> unconscious of the fact that such personalities are but the creatures of distinct and often sharply contesting economic forces. 17

In this thesis, in view of the above comments, the focus will not concern individual men, except in connection with the institutional position that they occupy.

A more detailed study which was undertaken at about the same time as Newman's study is John Porter's Vertical Mosaic. Porter found the economy to be dominated by a small number of giant corporations. He drew up a list of 183 dominant corporations, based on the number of corporations employing more than 500 employees. The period of time from which his data was taken was the years 1948-1950. He showed that these corporations accounted for 40 to 50 percent of the gross value of manufacturing production, as well as large proportions of production in other industries.[18] This concentration was compounded by the fact that there was extensive interlocking between these corporations. This explains the differences between McCollum's and Porter's figures. Thus concentration has not been extensively lessened. In fact, by 1954, Porter reports that 54 corporations were accountable for about 60 percent of net value added for manufacturing and 80 percent for resource industries.[19] These corporations are controlled by, in Porter's terms, the economic elite.

Porter designated a group of 985 men as the economic elite, which he defined as being "those who occupy the major decision-making positions in the corporate institutions of

Canadian society."[20]

Unfortunately, Porter did not include foreign resident directors of the corporations in his elite. He justifies this omission by stating that:

> There is no doubt that some important decision-making lies outside the country, but it is difficult to separate those cases in which it is important from those in which it is not. 21

He also argues that because his main concern is the relationship between the economic elite and Canadian social structure, foreign resident directors who supposedly do not belong to that structure can be left out.[22] This reasoning is questionable; the fact remains that the Canadian upper class is intricately interlocked with foreign upper class, specifically the United States upper class. One can not justifiably conceive of an upper class separated from its vital connections and expect to meaningfully explain its operations.

Keeping in mind this shortcoming, Porter's elite group sat on the boards of 170 dominant corporations, banks, and insurance companies, as well as lesser industrial firms, holding a total of 1,346 directorships.[23]

The economic elite is a small wealthy minority in Canada and is isolated from those who primarily make their livelihood by wage labour.

> ...it seems reasonable to conclude that the very rich are a relatively small group; that a large part of their income is from dividends and other forms of investment; and that a large proportion of all investment income, particularly that from stock ownership, goes to them. 24

Porter focuses on the elite in general. However in one section of the chapter on concentration of economic power, he discusses the "nuclei of power."

> No account of concentration is complete without consideration of holding and investment companies through which a number of dominant corporations can be controlled through a single centre. 25

In this section he talks about three industrial conglomerates - Argus Corporation, Power Corporation, and A.V. Roe. These holding and investment companies, which form the nuclei of power and which compete with each other, perhaps form the basis of an interest group, but Porter does not use that term.

C.A. Ashley, in a comment on Porter's work, recommended a different approach. Ashley argues that a powerful, more compact elite can be obtained by centering analysis around the major banks. In addition, this approach would root the elite in the major Canadian economic insitutions.

Ashley looked at interlocking directorate links of corporations with the Bank of Montreal, Royal Bank of Canada, Bank of Nova Scotia, and the Canadian Bank of Commerce, which has since merged with the Imperial Bank to form the Canadian Imperial Bank of Commerce.[26]

Altogether the directors of these banks held a total of over 900 directorate positions. This figure includes connections with financial institutions, insurance companies, major corporations, and smaller companies as well. Ashley also notes the importance of Argus Corporation, the directors of which hold over 150 directorate positions.[27]

However, these statements of the number of directorate positions held by the bankers or by Argus directors are the extent of Ashley's analysis. He makes no attempt to comment on the significance of individual corporate-banking interlockings or to mention other forms of ties between them. Thus his criticism has limited applicability.

There has been only one study in Canada which has dealt extensively with the issue of interest groups. L.C. and F.W. Park, in their book, Anatomy of Big Business, discuss the structure of the Canadian economy, using data covering the years around the late 1950's and early 1960's.

In answer to the question, "who owns Canada?" Park and Park readily reply--a coalition of the Canadian and United States ruling class. They argue that the upper class owns and controls the industrial sector of Canada.

Class is defined as the relationship to the means of production both in the Parks' book and in this thesis. The Parks' assertion is certainly supported by data in Porter's study of the Canadian power structure. As noted, Porter found that "Canada has a relatively small group of very rich."[28] The higher the income, the greater was the proportion of income which was from dividends, i.e., stemming from ownership of the means of production. Porter concluded that:

> It would...seem that Canada does not have a highly fragmented system of stock ownership. The picture sometimes presented of 'every man a capitalist' or of 'people's capitalism' is

> scarcely borne out by the analysis here presented. It is clear that a good measure of control rests with the small group of very rich.... 29

The Parks cite the 1957 Gordon Commission as a study which shows the degree of concentration in production as it exists in Canada.[30] The Commission looked at the influence of the six most important firms in petroleum, mining, and manufacturing. The results confirmed the earlier findings of Myers, McCollum, and Porter--that in most areas of production, a very small percentage of corporations is accountable for the majority of production in that area. The Parks recognize the importance of the men who control these corporations and focus their analysis on this upper class and their corporate connections.

The Parks argue that the economy is divided into interest groups. They criticize the Gordon Commission for not acknowledging "the concentration of control of capital in the hands of financial groups and the interlocking relationships of these groups, centered on the banks with the big industrial enterprises."[31] What allows the interest groups to control the country's economy is their control of the capital concentrated in the financial institutions.

> The financial groups dominant in Canada maintain their power through a complex institutional structure by means of which other people's money ...is centralized, mobilized, and controlled on behalf of the financial groups. 32

The banks, together with life insurance companies, trust companies, and investment companies are the institutions in control of that vital capital.

The leading financial groups are headed up by the Bank of Montreal, Royal Bank, Canadian Imperial Bank of Commerce, Toronto Dominion Bank, and the Bank of Nova Scotia. There are, however, other centers of power which are always potential rivals. One group that Park and Park mention is that of the Argus Corporation empire. Regional forces from British Columbia, Alberta, and Winnipeg have also increased in importance and are gaining representation.[33]

According to the Parks, however, the most influential group remains the Bank of Montreal with its affiliated companies, most notably Canadian Pacific Ltd., Royal Trust, Steel Company of Canada, Aluminum Ltd., International Nickel, Canadian General Electric, and Bell Telephone of Canada.[34] The use of the term "affiliated" or "associated" here is meant to indicate ties between the corporation and the bank through interlocking directorates, historical connections, and other business arrangements which promote co-ordination and unity. These terms do not necessarily mean interlocking ownership because some of the corporations listed above are owned by United States' interests, for example, Canadian General Electric and International Nickel.

In importance, the Bank of Montreal is followed by the Royal Bank and the Canadian Imperial Bank of Commerce. The Royal Bank has such corporations in its sphere of influence as Montreal Trust, Metropolitan Life, Imperial Oil, and Power Corporation.[35] The Canadian Imperial Bank of Commerce includes

National Trust, Brascan, and the Investors Group.[36] Park and Park note that in many cases, control of a corporation is shared by the Royal Bank and the Canadian Imperial Bank of Commerce. Examples of shared corporations are Argus Corporation and its subsidiaries, Algoma Steel and Dominion Steel and Coal.[37]

Two lesser lights are the Toronto Dominion Bank and the Bank of Nova Scotia. Although they are far less powerful and extensive than the big three, they also form interest groups, according to the Parks. Toronto Dominion Bank is connected with the T. Eaton Company, Manufacturers Life, and General Motors,[38] while the Bank of Nova Scotia has ties with George Weston and Canada Life Assurance.[39]

The Parks also trace the influence of United States interest groups in Canada by examining the interlocking between Canadian and United States groups. In doing so, they draw heavily upon Victor Perlo's study of American interest groups.

Park and Park found that, out of their sample of sixty-four companies, at least twenty eight were controlled by the United States, six or seven British controlled, and one was Belgium controlled. Out of the rest, some companies were controlled by alliances of United States, British, Canadian, and European capital.[40]

According to the Parks, Canada is dominated by the United States, as evidenced by the amount of United States investment, trade restrictions on American subsidiaries, dependence on development and research from the United States, and the interlocking of interest groups. The Canadian upper class is a subordinate one.

> We do not imply that domination is absolute or that the Canadian government and Canadian tycoons have no freedom of action. They have; but they have chosen to exercise it in a way that puts the national interest of Canada a poor second to their own chance to share as junior partners in enterprises controlled by U.S. monopoly capital.... 41

The Parks are not alone in believing the Canadian upper class to be dominated by the United States. A large amount of published material has appeared noting this phenomena of the "American takeover." Karl Levitt, who holds this view, has expressed the situation in the following way.

> To the degree that Canadian business has opted to exchange its entrepreneurial role for a managerial and rentier status, Canada has regressed to a rich hinterland with an emasculated, if comfortable business elite. 42

It is questionable whether the Canadian upper class as a whole is as emasculated and dominated as these statements imply. The Parks and Levitt have not distinguished between the two sections of the upper class, those who own and control Canadian corporations and those who manage foreign multinational subsidiaries. This point will be elaborated upon in a later chapter.

In their analysis, Park and Park have delineated the links between the United States groups and the Canadian groups. For example, they found that the Bank of Montreal has ties to the Morgan, Rockefeller, and Mellon groups through Canadian

General Electric, International Nickel, Bell Telephone, Aluminum Ltd., and British American Oil Ltd.[43] The Bank of Montreal also has strong ties to British groups through Price Brother and Co., and Standard Life.[44]

> The connections of the Montreal with British capital are probably more important than those of any other Canadian bank, going back to the building of the CPR in the 1880's. 45

The Royal Bank has connections with United States, British, and European capital. It is closely tied to the Rockefellers through Imperial Oil and Metropolitan Life, but it also has ties with the Mellons.[46]

The Canadian Imperial Bank of Commerce has links with both United States and British capital also but, in its case, as compared to the Bank of Montreal, its United States ties are far more important than the British. The British ties seem to even be declining in importance. In October of 1972, Barclays Bank Ltd. of London sold its 2.52% of the Canadian Imperial Bank of Commerce stock and "severed its filial relationship" with the bank.[47]

The Toronto Dominion Bank has connections with the du Pont interests through General Motors and the Bank of Nova Scotia is linked to the Cleveland interest group because of their participation in the Iron Ore Co. of Canada.[48] This information from the Parks' book will provide a valuable source of comparison for the findings of the present study.

Chapter One of this thesis describes, in greater detail, the interest group, its characteristics and functions, and introduces the three indicators used in the thesis as measures of interest grouping. These indicators are interlocking directorates, interlocking ownership, and use of the same transfer agent and/or bond trustee. Their significance is elaborated upon and other concepts and terms relevant to a clear understanding of the material presented are defined.

This analysis of interest groups in Canada is centered around the five major banks and a selected sample of large industrial corporations and financial institutions. The selection procedure for the sample is explained and the decision of using banks as the center of analysis is justified by looking at the position of banks in the Canadian economy.

In the next chapter, data concerning interlocking directorates, interlocking ownership, and similar use of a bond trustee and/or transfer agent is presented. Direct and indirect interlocking directorates between the banks and the sample of corporations and financial institutions are shown in table form. On the basis of this information, tentative interest groups are drawn up and are presented in a diagramatic representation of the groups.

Information about ownership linkages between the corporations is also given in table form and the major ownership complexes within the sample are presented diagramatically. The phenomena of financial institutional holdings of minority blocks of shares in many of the corporations is discussed.

In the last section of Chapter Two, the banks and the corporations and financial institutions assigned to them are checked for their use of transfer agents and bond trustees. The consistency of results for corporations within a banking group is commented upon. Throughout the chapter, results from using one indicator are compared with results from another indicator.

Chapter Three synthesizes the findings from the three measures and a final assignment of corporations to the five banking groups is made. A comparison is drawn between these groups and the ones L.C. and F.W. Park found in 1960 to give a historical perspective on the question. Next, the issue of foreign multinational subsidiaries, their primary ties and control center, and the implications this has for a Canadian interest group is discussed. Finally, the importance of the Canadian companies within the interest group is examined.

The conclusions make a final assessment of the question--do economic interest groups exist in Canada? Some of the implications that the results of the thesis have regarding the power structure in Canada are outlined. Discussion is centered upon the issues of cohesion/division within the Canadian upper class and the growth of an internationalist ideology and affiliations.

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Chapter One

In the introduction, "interest group" was defined as a set of financial and industrial corporations which evidence their close working relationships through trade reciprocity, mutual ownership, interlocking directorates, historical ties, similar broad economic policies, and use of the same investment houses, corporate law firms, transfer agents, and bond trustees. These are some characteristics which various authors have ascribed to interest groups but Sweezy cautions that the term "interest group" "is not a clear cut concept which can be given concrete content according to mechanical rules."[1]

Synonyms for interest group are "spheres of influence," as used by Levine in his study of a set of interlocking directorateships, or "community of interest" as used by Sweezy, or "financial group", as used by Menshikov. The term interest group should not be confused with either the term "pressure group" or "veto group."

Arnold Rose uses the term "pressure group" in a pluralist framework, while interest group is used primarily in a Marxist context. Rose talks about the economic elite as a pressure group in the same way in which he talke about the Farm Bureau, the churches, labour unions, or the American Medical Association.[2] These groups are seen as competing forces for power, none of which is more powerful than the others.

Similarly, David Riesman uses the term "veto groups", also in a pluralist context. He argues that the power structure is highly amorphous with no ruling elite. Riesman states "By their very nature the veto groups exist as defense groups, not as leadership groups."[3]

In contrast, interest groups are seen, by such authors as Perlo, Menshikov and the Parks as powerful acting units, not only in the economic field, but also the political arena. Therefore, the term economic "interest group" is more appropriate for the purposes of this thesis than either "pressure group" or "veto group."

Structure of Interest Groups

According to the existing literature, there appear to be two main characteristics which distinguish an interest group, first, the form of control within the group, and secondly, the kinds of economic institutions involved. The original purpose of the interest group was to promote cohesion between a group of corporations and financial institutions.

According to Victor Perlo, the community of interest principle was first advocated by J. Pierpont Morgan. This is the principle: "Whereby the wealthiest men tried to bury their conflicts by linking their properties in a complex network of interlocking directorates and stockholdings."[4] A whole series of corporations were brought under control of a financial clique. The banks are the key to this structure and industrial magnates of sufficient power are incorporated into the banking group. According to Perlo, the interest group formed in this way is not a single integrated unit, yet its alliance exists nevertheless.

Paul M. Sweezy used the interest group concept in a similar way in his study for the United States government. He defined the task of his study as follows:

> It is the purpose of this study to throw light on the degree to which the large corporations are linked among themselves through common control, community of interest groups, or more or less loose alliances. 5

He agreed with Perlo that interest groups do not ever "act as a unit under the rule of individual or oligarchic dictatorships."[6] One economist comments on the difference in the extent of control between interest groups and conglomerates.

> On the average, the sort of control which is imposed and the degree of inter-company coordination which is effected within an interest group appears to be much looser and much less comprehensive than the control and coordination which a large corporate management imposes on the operations under its jurisdiction. 7

S. Menshikov emphasizes this form of control also by stating that the corporations within an interest group are managed independently. Coordination takes place at a higher level outside the companies themselves by the wealthy families, the big banks,etc.[8] Coordination is not the result of a written compact but rather a general understanding by those involved of the existence of a community of interests.

Menshikov gives the example of a price war that broke out between General Electric and General Motors, both in the Morgan group in the United States. The corporations were both managed independently and Menshikov comments that had the companies simply belonged to a trust or concern, they probably would not have begun the price war because their operations would have been strictly defined by the owners. The conflict, however, was quickly resolved when a conference was held to educate middle management who apparently were ignorant of the "fine points" of interest group arrangement. The first characteristic of interest groups, therefore, is their amorphous structure of control.

The second characteristic is the special position that banks occupy within the interest group. Perlo argues that "The banks are key to this structure..." and "The giant banks are the centers of these empires."[9] Menshikov comments upon "the very core of the bank group, i.e., the commercial banks", and again, "The coalescence of bank and industrial monopolies inevitably results in the conversion of the leading commercial banks into centres of banking-industrial groups encompassing dozens of corporations."[10] In addition, a common characteristic of interest groups in Germany, England, Sweden, India, and the United States is the position of the banks in the groups.

It has been argued that large holding companies can be the center of interest groups, rather than, or in addition to, the banks. For example, the Parks, as mentioned in the Introduction, cite Argus and Power Corporation as centers of power which pose a threat to the dominance of the established banking groups. Certainly they have an impressive number and range of companies grouped around them. Both Menshikov and Perlo, however, make a point of drawing a distinction between conglomerates and interest groups. Perlo states:

> By this [interest group] is meant the linking of banking and industrial monopolies and monopolists into super-monopolies which tower over the greatest of the industrial combines. 12

Menshikov makes distinctions between cartels, syndicates, trusts, concerns, and cartels of trusts. According to Menshikov's criteria, Argus and Power would fit into the classification of concern--an economic arrangement which "manages simultaneously enterprises of various sectors by way of...'diversification.'"[13] The financial interest group goes beyond this stage of development, however. Even those groups that started as an industrial empire become financial interest groups only when they unite with banking interests. Perlo, therefore, argues that although the Rockefeller group began as an oil corporation, Standard Oil Co., it has now grown beyond that.

> But the power of the Rockefeller empire is no longer centered in the Standard Oil Corp., but rather in the Chase Manhattan Bank and its associated insurance companies and investment banking agencies."

The concerns of Argus and Power Corporation are limited in their scope of activity and expertise. Peter C. Dooley, in an article from the American Economic Review, points out that huge conglomerates must ally themselves with financial institutions. "Stock and bond issues, mergers and acquisitions, and other questions of high finance are not the daily business of the salaried executives of nonfinancial corporations...."[14]

Dooley goes on to say:

> This does not mean that a small clique of bankers controls every detail of corporate activity. However, the presence of knowledgeable men of finance on the board of directors can not help but influence policies...15

The influence and power of banks in Canada has not been overlooked by the Canadian capitalist.

> 'For a Canadian, becoming a bank director,' says Charles Rathgeb, the head of Canadian International Comstock Company, who recently joined the board of the Royal, 'is the summit of one's business career. The banks are very powerful in the sense that no individual in Canada, to my mind, can do much without the support of the chartered banks. 16

Corporations like Argus and Power are large, diversified firms but they have not remained aloof from the banks. As shall be shown in the following chapters, E.P. Taylor, head of Argus, sits upon the Royal Bank board and Power Corporation is also associated with the Royal Bank.

Certainly the literature suggests that banks are the core of interest groups and primarily for this reason, banks are the center of analysis in this thesis, however one cannot state that banks are the center of interest groups in Canada without qualification. Investigation into interlocking ties between corporations might reveal different patterns. Further research is required before it can be concluded definitely which economic institutions form the core of interest groups in Canada.

There are four additional reasons for focusing on the banks. First, Canadian banks are exceptionally concentrated.

The top three banks--Bank of Montreal, Royal Bank, and the Canadian Imperial Bank of Commerce--control 70% of all banking assets in Canada.[17] Concentration and monopolization has increased over the years. In 1880, the five largest chartered banks had 44% of total assets, 64% in 1910, 83% in 1940, and 93% by 1969.[18] In addition, Canadian banks have a lower failure rate than their counterparts in the United States and also have a large overseas business.[19] In other words, the Canadian banks are full fledged members of the Canadian and global economic community.

Secondly, banks in Canada are Canadian owned. In the face of a tremendous onslaught of foreign takeovers, they have protected themselves from the same fate through strict legislation. Kari Levitt comments on this phenomena.

> Canadian predominance in banking...is a historical legacy dating from the days of mercantile economy. Canada is one of the few countries who have not permitted American banks to enter--a striking contrast to the permissive attitude she has adopted towards American branch-plant industry. 20

There have been attempts made by the United States to enter the Canadian banking market. J.S. Rockefeller of the First National City Bank tried to engineer a takeover of Mercantile Bank of Canada but was forced to accept ten per cent ownership under restrictive legislation.[21]

The Canadian banks held their monopoly of banking in Canada, however they do not remain isolated from foreign capital. Park and Park note that although the amount of United States' capital involved in the Canadian banks is small, "the number of bank directors linked to U.S. interests is high."[22]

In addition, there is Canadian investment in American equities. According to Levitt, Canadian financial institutions have increased their holdings of foreign equities from ten per cent of their portfolios in 1960 to twenty-four per cent in 1966.[23] Perhaps because of these ties, Canadian banks are more favourable to giving long term finance to American subsidiary corporations than to smaller Canadian corporations.[24]

Therefore, it is through Canadian banks, because of their "independence", yet interrelatedness with foreign capital, that one can trace not only Canadian corporate links and interest groups, but also foreign, more specifically, United States linkages.

Thirdly, bank director meetings serve as one more place where upper class corporate men can come together to discuss common problems and work out common solutions. A recent article in the Financial Post on boardroom interlocks notes that "such arrangements can be, and have been used as devices for lessening competition. They provide a unique means of inter-corporate communication."[25] The executives can exchange information and thus formulate individual company policy on the basis of that inside knowledge. These meetings could supply the practical means of forming and operating an interest group. It has been argued that banks are especially equipped to serve this function, for banks:

> obtain the opportunity--by means of their banking connections, their current accounts, and other financial operations--first, to ascertain exactly the financial position of the various capitalists, then to control them, to influence them by restricting or enlarging, facilitating or hindering credits,...or permit them to increase their capital rapidly and to enormous dimensions, etc. 26

The banks all have field specialists who can tell them extensive information about corporations and their activities.

> In Calgary, for example, Gordon Lennard, the Commerce's able regional vice-president, maintains a group of geologists who man a huge map room with 65,000 pins that show the exploration patterns of every Canadian petroleum industry for the past 20 years. 27

All the bank directors who sit on corporate boards as well, can pass on this inside information so that there can be knowledgeable planning and co-ordination within the group.

Fourthly, banks mobilize other people's money and by doing so, create large amounts of available capital. McCollum in 1947 pointed out that none of the banks in Canada had bank boards of directors which owned as much as six per cent of the bank's total stock.[28] These boards of directors, however, with as little as six per cent ownership, controlled these financial institutions which "really act as a reservoir for the savings of the public, so that they may be placed more conveniently at the disposal of those who benefit by manipulating other people's money."[29]

For these reasons, then, banks were chosen as the center of analysis. Now that the structure of an interest group has been described, the focus will shift to the functions of the interest group.

Function of Interest Groups

There are two basic benefits that corporations and financial institutions derive from participation in interest groups. These are the crucial advantages of increased profits and lowered risk. Just to be a monopoly corporation means higher profits, as was pointed out in the first chapter, but to also be associated with an interest group is to increase profit advantages over non-monopolised and non-interest group companies.

According to Menshikov, one of the main ways that interest groups increase profits is by dividing markets between its component parts.[30] This eliminates costly price wars between corporations within the group. Another function of the interest group is business and trade reciprocity between its affiliated corporations. By doing so, it increases business profits and nearly guarantees a constant, reliable market. Perlo discusses four types of reciprocity. First, there is "channeling of all banking business to the institutions of the control group."[31] Corporations in an interest group will, for example, use the same underwriters for placing new security issues, or will have their business account at the same bank.

Second, there is "channeling of orders for materials and supplies to corporations under related control."[32] Robert Fitch and Mary Oppenheimer state that this is a very common procedure. They cite a survey in Purchasing magazine which found that 78 per cent of all corporations with sales over $50 million used reciprocity.[33] Fitch and Oppenheimer argue that reciprocity is not solely a matter of convenience in some cases, but a matter of control.

> Frequently two corporations are reciprocity partners because they have common financial ties---especially stockholdings which are expressed through director and management interlocks and linked up ultimately to a control center in a bank or an institutionalized family fortune. 34

Third, Perlo states that there occurs "sale of goods or property at a favorable price to corporations under related control,"[35] and finally, "channeling of legal, engineering, accounting, and advertising fees to related firms."[36] Corporations in the same interest group also use the same bond trustee and stock transfer agents.

Perlo suggests that the use of inside information within an interest group, which contributes to less risk taking and increased stability, is the most valuable advantage of participation within an interest group. The control group can reap large profits from land speculation if they know there are future development plans for an area, or can profit from buying up small firms they know are being considered for future corporate expansion, or they can avoid unncessary price wars if they have some kind of agreement on alloted marketing territory.

Eugene Rotwein, in his study of interest groups in Japan (Zaibatsu), found that stability was one consequence of the interest group structure and functions that had paid off for the Japanese capitalist.

> *Zaibatsu* firms have better access to credit than other firms and, insofar as the affiliates of each tend to do business with one another, they have greater market security. Even though the *Zaibatsu* do not show conspicuously high profit rates, their special advantage may contribute to their survival power--particularly in periods of depression; and, through special support given affiliates or the discouragement of entry by outsiders, they may contribute to the perpetuation of growth of monopoly over time. 37

The interest group's main advantages, profits and stability, stem from its internal cohesion; however, the interest group arrangement also fosters a great deal of conflict between groups in their struggles for unaffiliated corporations, marketing territory, and reservoirs of "other people's money."

Perlo repeatedly discusses the rivalry and conflicts between groups for power. Familiar phrases are "struggle for control"; "when fights take place for control of a corporation, and they do fairly often..."; groups must decide how "to protect their most important control positions against rivals"; "continuing conflict," etc.[38] Perlo comments that cohesion is limited between groups.

> But the extent of mutual interest is limited, and alongside it there is rivalry and a tendency to new divisions. Each group attempts to establish an overwhelming and lasting domination for itself in important areas. 39

The process of concentration, which is quite advanced as pointed out in the previous chapter, heightens the conflict between groups. Revenues from profits are available for expansion of the interest group but since the major industrial and financial areas are already divided into large monopolies:

> ...only limited expansion is possible at the expense of minor grouplets or smaller family interest. Inevitably--and increasingly, as the process of concentration goes further--the major groups seek to expand by poaching on one another's terrain. 40

Thus interest groups can be seen as units which promote conflict within the upper class' economic interests.

Indicators

Interlocking directorates, ownership, and the use of a particular bond trustee and/or transfer agent are the three indicators which have been used in this thesis to determine whether there are interest groups in Canada.

Ownership has been deemed an important variable by all of the authors discussed. It is the most revealing indication of control and is essential to analysis. Unfortunately, ownership data is not readily available which is perhaps a good indication of its importance in exposing sources of control and power. In order to understand what is meant by ownership, however, an important set of terms--power, influence, and control--must be defined.

Power has been defined by Max Weber as:

> ...the probability that one actor within a social relationship will be in a position to carry out his will despite resistance, regardless of the basis on which this probability rests. 41

Richard D. Alba has elaborated upon this definition to break the term down into several forms. Power can be evidenced as authority when the powerful are accepted by those below. It can be expressed as force when those below resist. A more subtle form of power is influence. According to Alba:

> ...an individual is influential if his interests and wishes are considered in making a decision, even when he makes no attempt to directly manipulate the decision-making process. 42

This form of power is much more difficult to document than the first two cases. This thesis will utilize these definitions but will be dealing exclusively with power derived from economic institutions. The terms will also be used on an institutional level, not a personal one. Mills emphasized this use of the term in his work also.

> For power is not of a man.... To be celebrated, to be wealthy, to have power requires access to major institutions, for the institutional positions men occupy determine in large part their chances to have and hold these valued experiences. 43

The concept of power is closely related to control. To control, one must also have power. There has been some debate about the relationship of control and power obtained through ownership of property.

One line of argument[44] generally asserts that stockholders no longer control corporations. Rather a new group has taken over--the managers. The individual stockholder has little to say about the operations of the company. In contrast, the non-stock owning management directs the activity of the employees, determines general policies, creates public demand, and guides further research and development.

This theory has been questioned in the United States by authors such as C. Wright Mills and G. William Domhoff, but more importantly, its applicability has also been questioned for Canada. John Porter has expressed reservations on this issue. Managerial theory was created to describe a process which supposedly occurred in the United States, a country with a different history of development. Porter believes that the process of managerial control "has not gone nearly as far in Canada as it supposedly has in the United States."[45]

Porter also rejects an extension of the managerial thesis as being irrelevant to Canada. Some theorists have expanded this statement to mean that managers have power and control and that boards of directors are relatively helpless and mere rubber stamps to policies coming from managerial ranks. Porter points out, however, that it is doubtful that such a theory applies to Canada. Although managers are certainly important, they are not the keys to corporate power. How does one know this? The answer is fairly obvious.

> The aim of those who want to control a corporation is not to become managers, but to acquire seats on the ruling body of the corporation--that is, on the board--and this goal is achieved by owning stock. 46

Thus Porter realizes that ownership and control have not been irretrievably separated.

> The retention of sizeable minority blocks within the hands of an individual or small group is thus an essential aspect of control. 47

The percentage of ownership necessary for corporate control depends upon the size of the stockholding body, the concentration of their assets, and whether their position is being threatened by a takeover attempt.

> The amount of ownership at the top of the pyramid necessary to insure such control for any group may be only 5 percent. Scattered smaller owners, if there are any, cannot gather enough stock to overcome the leading blocks.... 48

Menshikov suggests that corporate magnates historically have been aware of this fact and have taken advantage of the situation.

> In the 19th century financial tycoons having captured control of a company, frequently sold their stock to mobilize resources for further seizures. It is clear that he could continue to rule the roost without having property only in the absence of an opposition and taking advantage of the passivity of the main mass of the stockholders. 49

The ownership-control issue is complicated by the fact that while an interest group may not appear to control a corporation, if its alliances with other stockholders are known, it may actually control the corporation in question. For example, if Standard Oil, a Rockefeller company, owned only 35% of Imperial oil, instead of the 69.8% that it does, and if they were rivals of a group which owned more than they did in Imperial Oil, say 45%, then it would appear that the rival group would dominate. However, if Chase Manhattan Bank, also a Rockefeller concern, held the other 20%, the Rockefeller group would have a decisive majority holding.

Park and Park argue that some amount of ownership, varying with the corporation, is imperative for control.

> We spoke of ownership and control. The power of the upper layer of the ruling class is

> based on their control of capital and the means of production, the control in turn resting upon direct ownership of only a fraction of the total capital controlled. But there should be no doubt that the total control is based on ownership and that without ownership control vanishes. 50

Menshikov questions whether ownership always has primacy over other forms of control. He states that corporate bond issues can constitute a powerful form of control.

> It should be stressed that there is no impervious boundary between stocks and bonds as a means of control.... As a credit document a bond is in all cases of higher standing than a stock (limitation of dividends, first mortgage rights, etc.). Ownership of the majority of a company's stock guarantees control only if its debt is small. 51

The degree of corporate indebtedness is a hotly disputed issue. Managerialists usually oppose Menshikov's position by arguing that corporations are largely self-financing and do not have to rely on the capital market for operation or even expansion funds. Because they supposedly maintain their independence from financial institutions, "No banker can impose conditions as to how retained earnings are to be used."[52]

There has been a continuing series of arguments between Fitch and Oppenheimer, and Sweezy and James O'Connor on this question in the United States. Kari Levitt has supported the managerialist's view for multinationals in Canada but I am unaware of any counter-evidence found for Canada, with the exception of some research in progress by Leo Johnson. Until further evidence is accumulated, Porter's and the Parks' position on the issue of ownership-control--that some varying but generally small amount of ownership is necessary for control---will be utilized.

The second measure, interlocking directorates, is used because as Menshikov put it:

> Personal union is a derivative of long-standing financial ties and the interlocking of corporate capital. That is why it can and should serve, together with other forms of ties, as the basis for analysing finance capital groups. 53

There is some debate, however, about what a set of interlocking directorates indicates. Paul Sweezy, for example, argues that interlocking by itself is not sufficient evidence on which to assign interest groups. He urges caution when dealing with this type of data.

> Does this mean that any two companies whose directorates interlock should be classified together in one interest group? The answer to this question is, emphatically, No. Anyone who started out on this principle would have little difficulty in putting all but a few of the 200 largest non-financial corporations into a single interest group. This fact is not without significance, but the classification achieved by this method would cover up the kind of grouping it is designed to disclose. 54

Sweezy goes on to say that evidence of interlocking directorates must be coupled with additional data before it is admissible. He recommends acquiring a knowledge of corporate policies and individual connections to facilitate determining the importance of interlocking. Ownership is still considered the most important variable.

> Some corporations clearly belong together. For example, if one individual or well-defined

group of individuals owns a majority of the voting securities of two or more concerns, then it will scarcely be denied that these companies should be placed together in what we may call a single interest group. 55

In spite of Sweezy's reservations, interlocking directorates remain an important indicator of close relations between financial institutions and corporations within an interest group. C. Wright Mills comments on the importance of interlocking directorates for the consolidation of the corporate world.

"Interlocking Directorate" is no mere phrase: it points to a solid feature of the facts of business life, and to a sociological anchor of outlook and policy, that prevails among the propertied class. Any detailed analysis of any major piece of business comes upon this fact.... 56

Even Arnold Rose, whose work, as previously mentioned, has been largely critical of the elitist and Marxist analysis of society and who operates primarily within a pluralist framework, notes that the fact of interlocking directorates provides the basis of support for discussing economic power elites.

Interlocking directorates, where they occur in the larger corporations, give them a high degree of cohesiveness. 57

Interlocking directorates reflect patterns of ownership and are the result of long standing relationships between the firms involved. They can be indications of which firms played an important role in corporate reorganization, combine, or merger; they can be the reward or recognized right of financial companies which assisted the firm out of financial difficulties. Whatever the initial reason, they remain essential specifications of interest groups, thus Perlo comments that "The common control of banks and industry is personified in the system of interlocking directorates."[58]

The third measure, use of the same bond trustee and/or transfer agent, is used as an example of one of the reciprocity functions of the interest group. The bond trustee "represents all the scattered bond holders of a particular company, and exercises their rights and privileges."[59] The stock transfer agent has access to "complete knowledge of the corporation's owners and of all shifts in ownership. It thereby is in a strategic position to forestall attempts by rival financial groups to gain control through stock purchases."[60] The importance or significance of these positions Perlo states as follows:

> When an industrial company is controlled by a single group, these functions will be shared by banks of that group. When two groups share control they will divide these fiduciary assignments and the fees that go with them. 61

All of these arrangements increases profits and stability for the interest group. Use of the same bond trustee and transfer agent was used as an example of one of the reciprocity functions of the interest groups. Looking at corporate policies and patterns of trade between affiliated corporations would have been revealing but considerably more difficult and beyond the scope of this thesis. Information about bond trustees and transfer agents is readily available in the <u>Financial Post Survey of Industrials</u> and provides an additional check on interest groupings based on interlocking directorates and ownership.

These three measures--interlocking ownership, interlocking directorates, and use of transfer agent and bond trustee--are applied to a selected sample of 45 industrial corporations and 19 financial institutions to determine their relationship to the five major banks--Bank of Montreal, Royal Bank, Canadian Imperial Bank of Commerce, Toronto-Dominion Bank, and the Bank of Nova Scotia.

The interlocking between the bank boards and the sample corporations were first examined. A tentative charting of interest groups was derived from that information. Next ownership links between the corporations were examined. This data was compared with the first grouping. Finally, the corporations' transfer agents and bond trustees were listed and also compared with the previous data.

The list of corporations included in the sample was derived from a Financial Post list of the largest industrials and financial institutions in Canada. The corporations were divided into categories of specialization and the top companies in each category were included in the sample. The corporations are highly concentrated and represent a considerable percentage of total production in Canada. The full procedure of selecting the sample of corporations is described in Appendix I.

Summary

The interest group is characterized by interlocking directorates and ownership, by trade and business reciprocity, by historical connections. This thesis will utilize three indicators of interest grouping--ownership, interlocking directorates, and use of the same transfer agent and/or bond trustee. All three of these variables have been shown to have a cohesive, binding effect on corporations and financial institutions within an interest group.

Analysis will center around the banks because of their Canadian ownership, their extreme concentration, their large reservoirs of capital, and their convenience as a meeting place for the corporate ranks. They will be checked for interlocking and the other forms of ties mentioned with a selected sample of large industrial corporations and financial institutions.

Footnotes
Chapter One

1. Paul M. Sweezy, The Present As History, (New York: Monthly Review Press, 1966), p. 164.

2. Arnold M. Rose, The Power Structure, (New York: Oxford University Press, 1967), pp. 69, 73.

3. David Riesman, "Who Has the Power?", in Class, Status, and Power, ed. Reinhard Bendix and Seymour Martin Lipset (New York: Free Press, 1966), p. 156.

4. Victor Perlo, The Empire of High Finance, (New York: International Publishers, 1957), pp. 140-141.

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6. Op. cit., p. 184.

7. Joe S. Bain, Industrial Organization, (New York: John Wiley & Sons, Inc., 1959), p. 104.

8. S. Menshikov, Millionaires and Managers, (Moscow: Progress Publishers, 1969), pp. 205-206.

9. Perlo, op. cit., pp. 40, 42.

10. Menshikov, op. cit., pp. 150, 190.

11. Perlo, op. cit., p. 46.

12. Op.cit., p. 17.

13. Menshikov, op. cit., p. 202.

14. Peter C. Dooley, "The Interlocking Directorate," American Economic Review, Vol. LIX, June, 1969, p. 322.

15. Ibid.

16. Peter C. Newman, "The Bankers," Macleans, Vol. 85, No. 3, March, 1972, p. 30.

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18. Financial Post, March 11, 1972, p. 7.

19. Newman, op. cit., February, 1972, p. 21.

20. Kari Levitt, Silent Surrender, (Toronto: MacMillan of Canada, 1970), p. 7.

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23. Levitt, op. cit., p. 139.

24. Op. cit., p. 141.

25. Financial Post, October 13, 1973, p. C-7.

26. V.I. Lenin, Imperialism, The Highest Stage of Capitalism, (Peking: Foreign Languages Press, 1969), p. 37.

27. Peter C. Newman, "The Bankers," Macleans, Vol. 85, No. 2, February, 1972, p. 77.

28. Hugh Watt McCollum, Who Owns Canada? (Ottawa: Woodsworth House Publishers, 1947), p. 14.

29. Op. cit., p. 15.

30. Menshikov, op.cit.,

31. Perlo, op. cit., p. 56.

32. Ibid.

33. Robert Fitch and Mary Oppenheimer. "Who Rules the Corporations?", Socialist Revolution, Vol. 1, No. 6, p. 84.

34. Op. cit., p. 85.

35. Perlo, op. cit.

36. Op. cit., pp. 56-57.

37. Eugene Rotwein, "Economic Concentration and Monopoly in Japan," Journal of Political Economy, Vol. 72, June, 1964, p. 272.

38. Perlo, op. cit., pp. 38, 38, 100-101, and 131.

39. Op. cit., p. 136.

40. Op. cit., p. 137.

41. Max Weber, The Theory of Social and Economic Organization, ed. Talcott Parsons, (Toronto: Collier-Macmillan Canada, Ltd., 1947), p. 152.

42. Richard D. Alba, "Who Governs--The Power Elite? It's All In How You Define It," _The Human Factor_, Vol. 10, No. 2, Spring, 1971, p. 29.

43. Mill, _op. cit._, pp. 10-11.

44. For example, this argument is put forward by James Burnham, author of the _Managerial Revolution_ and John Kenneth Galbraith, author of the _New Industrial State_. There seems to be some question about whether A.A. Berle Jr. also qualifies as a managerialist.

    Menshikov interprets Berle to be saying that private property has disappeared in the United States, that owners have lost control over corporations they once controlled, that managers, nonowners, have taken over this control, and that profit is no longer the main stimulus of corporate activities. (Menshikov, _op. cit._, pp. 121-123).

    However, Fitch and Oppenheimer assert that most of the managerialist theory is based upon a misreading of Berle. (Fitch and Oppenheimer, _op. cit._, No. 4, pp. 78-79). Such confusion can be explained by simply looking at the contradictions within Berle himself.

    At one point Berle argues that when an individual buys stock in a corporation he becomes "an almost completely inactive recipient." (A.A. Berle Jr., _The 20th Century Capitalist Revolution_, (New York: Harcourt, Brace and Company, 1954), p. 30). However, later when Berle is discussing growing ownership of corporations by insurance companies, the big banks, and pension funds, he states that their ownership has the potential of control. "If they the financial institutions wished they could even today exercise a powerful choice in managements of many of the corporations...; and their ability to do this seems likely to increase. Not often in history does the holder of potential power decline to use it." (Berle, _op. cit._, p. 45). Berle, it seems, can be interpreted in either way.

45. John Porter, _The Vertical Mosaic_, (Toronto: University of Toronto Press, 1965), p. 22.

46. _Op. cit._, p. 253.

47. _Op. cit._, p. 247.

48. Ferdinand Lundberg, _The Rich and the Super-Rich_, (New York: Lyle Stuart, Inc., 1968), p. 17.

49. Menshikov, _op. cit._, p. 125.

50. Parks, _op. cit._, p. 11.

51. Menshikov, _op. cit._, p. 175.

52. Levitt, *op. cit.*, p. 74.

53. Menshikov, *op. cit.*, p. 188.

54. Sweezy, *op. cit.*, p. 161.

55. *Op. cit.*, pp. 160-161.

56. C. Wright Mills, *The Power Elite*, (New York: Oxford University Press, 1959), p. 123.

57. Rose, *op. cit.*, p. 133.

58. Perlo, *op. cit.*, p. 95.

59. *Op. cit.*, p. 70.

60. *Ibid.*

61. *Op. cit.*, p. 71.

Chapter Two

Interlocking Directorates

In this section, interlocking directorates between the five major banks and a selected sample of 45 industrial corporations and 19 financial institutions are examined and tentative interest groups are assigned on the basis of this information. There are 44 directors for the Royal Bank, 58 directors for the Canadian Imperial Bank of Commerce, 33 directors of the Bank of Nova Scotia, 38 directors for the Toronto Dominion Bank and 50 directors from the Bank of Montreal.[1]

Information on bank and corporate directors was obtained from the Financial Post Directory of Directors, 1972. When information was not available in that source, Who's Who, The Canadian Who's Who, and Who's Who in Finance and Industry were consulted and supplied missing information.

Dr. James A. Sherbaniuk, who is concerned with interlocking directorates and anti-trust laws, has classified interlocking into two types--direct and indirect. Direct interlocks occur "where directors of...companies are members of each other's boards...."[2] Indirect interlocking occurs where the directors of separate companies "each serve together on the board of a third company."[3]

Use of these terms will be restricted here to interlockings between the banks, financial companies, and industrial corporations in the sample. The "third company" referred to in the definition of indirect interlocking will mean subsidiaries of the sample corporations. An interlock of a bank director with a subsidiary of a corporation's subsidiary and so forth, is counted as an indirect link if the chain of control is established, using the following two criteria.

First, the subsidiary corporation is considered to be controlled if the parent corporation in the sample has majority ownership (over 50%), whether there are other minority shareholders or not.

Secondly, the subsidiary corporation is considered to be controlled if the parent corporation in the sample has minority ownership (under 50%) and if there are no additional minority stockholders.

The chart in Appendix II shows the interlocking direct and indirect, parent corporation and advisory board links between the bank directors and the corporations. In addition, information is given about the position of individual interlocking directors on both the bank and the corporations with which he is associated.

Using this information on interlocking directorates, tentative classification of corporations into interest groups is possible. Several corporations could not be classified because they did not have links with any of the banks. This group constituted six per cent of the sample. These included Chrysler Canada Ltd., Loblaw Companies, Canada Permanent Mortgage, General Motors Acceptance Corp., and Guaranty Trust. Two of these companies are U.S. owned.

Out of the total of 65 companies, 15 or 23% had ties only with one bank and could be easily assigned on this basis. Some of the corporations, however, are difficult to classify on the basis of interlocking directorate information only. Most of these corporations have ties with more than one bank.

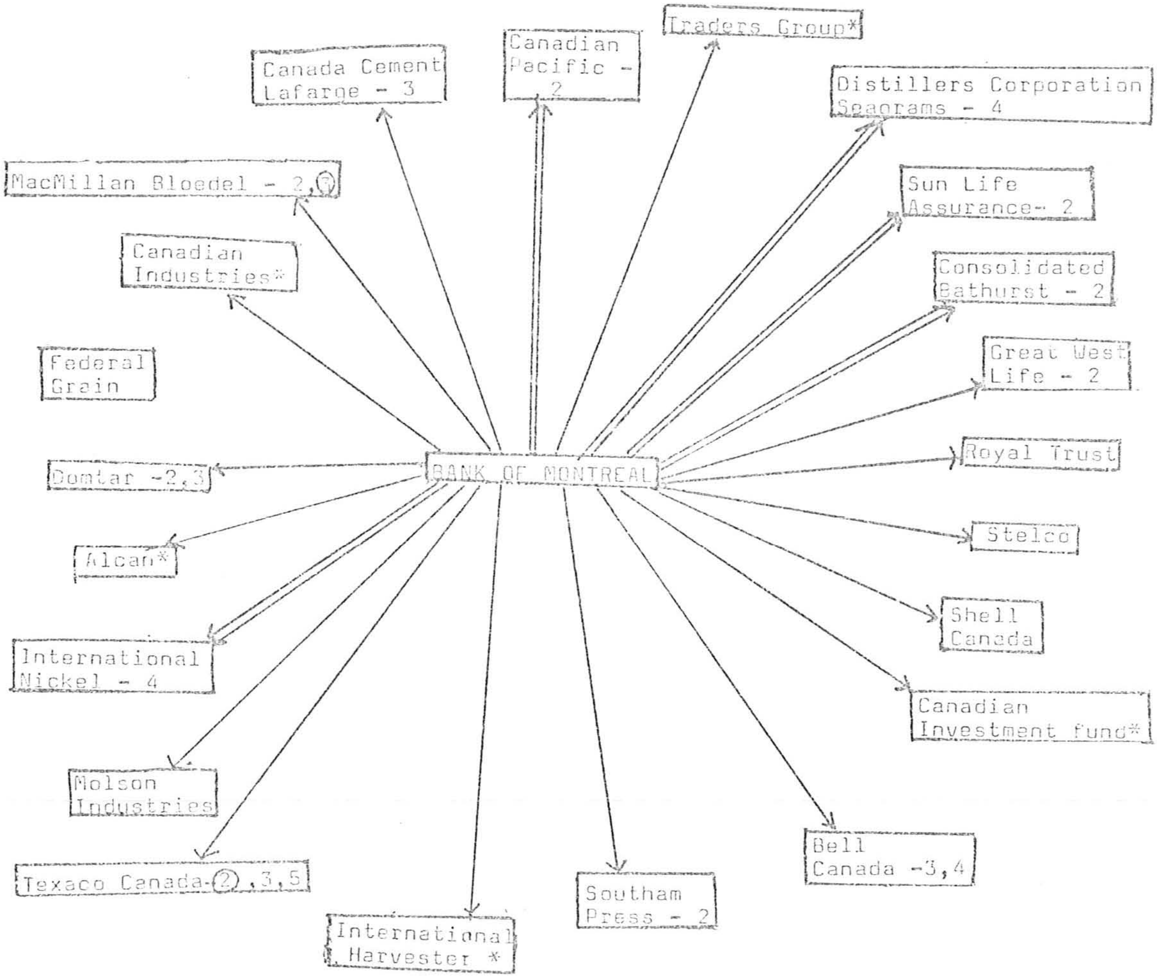
For example, Bell Canada has three direct links with the Bank of Montreal, one of which is chairman and chief executive officer of Bell Canada, plus one indirect link. Canadian Imperial Bank of Commerce has three direct ties, one of which is president of Bell Canada, and two indirect ties. Toronto Dominion Bank has two direct ties, one a vice-president of Bell Canada, plus four indirect links; while the Bank of Nova Scotia has one direct and one indirect tie. Therefore in the following diagrams showing the interlocking for each bank, Bell Canada is shown to be linked not only to the Bank of Montreal, but also to the Canadian Imperial Bank of Commerce and the Toronto Dominion Bank, the most dominant interlocking connections.

The importance of these ties cannot be ascertained on the basis of sheer number of links alone. Additional information about ownership and use of transfer agents and bond trustees will have to be consulted before final assignment to interest groups. The majority of companies in the sample, about 71%, fall into this category.

DIAGRAM I

BANK OF MONTREAL

INTERLOCKING DIRECTORATES



Key

* - corporation has ties only to the bank with which it is listed

⇒ - double line from bank to corporation indicates that this bank has the dominant ties although the corporation is also linked to other banks

(N) - circled number by corporation indicates which other bank is dominant although it also has ties to the listed bank

1 - corporation also has ties with the Bank of Montreal

2 - Royal Bank

3 - Canadian Imperial Bank of Commerce

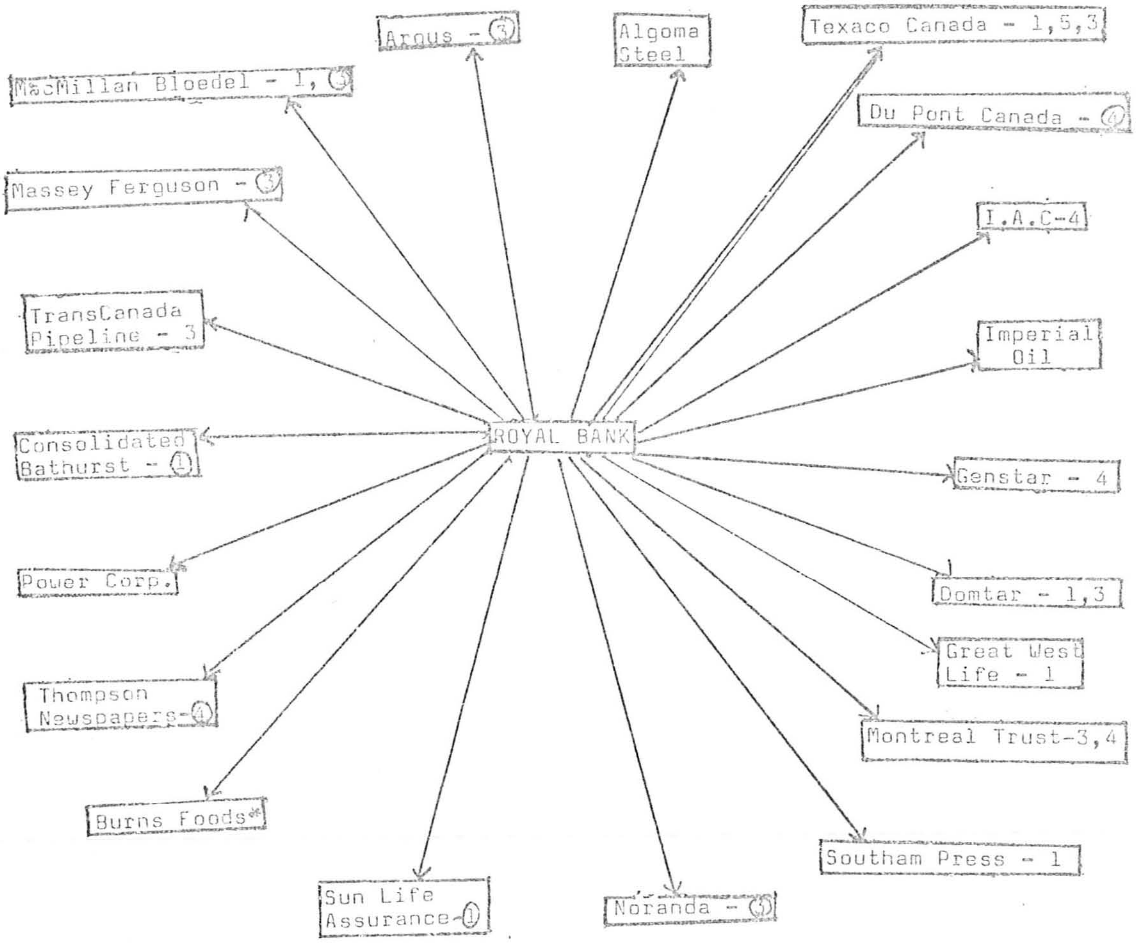
4 - Toronto Dominion

5 - Bank of Nova Scotia

DIAGRAM II

ROYAL BANK

INTERLOCKING DIRECTORATES



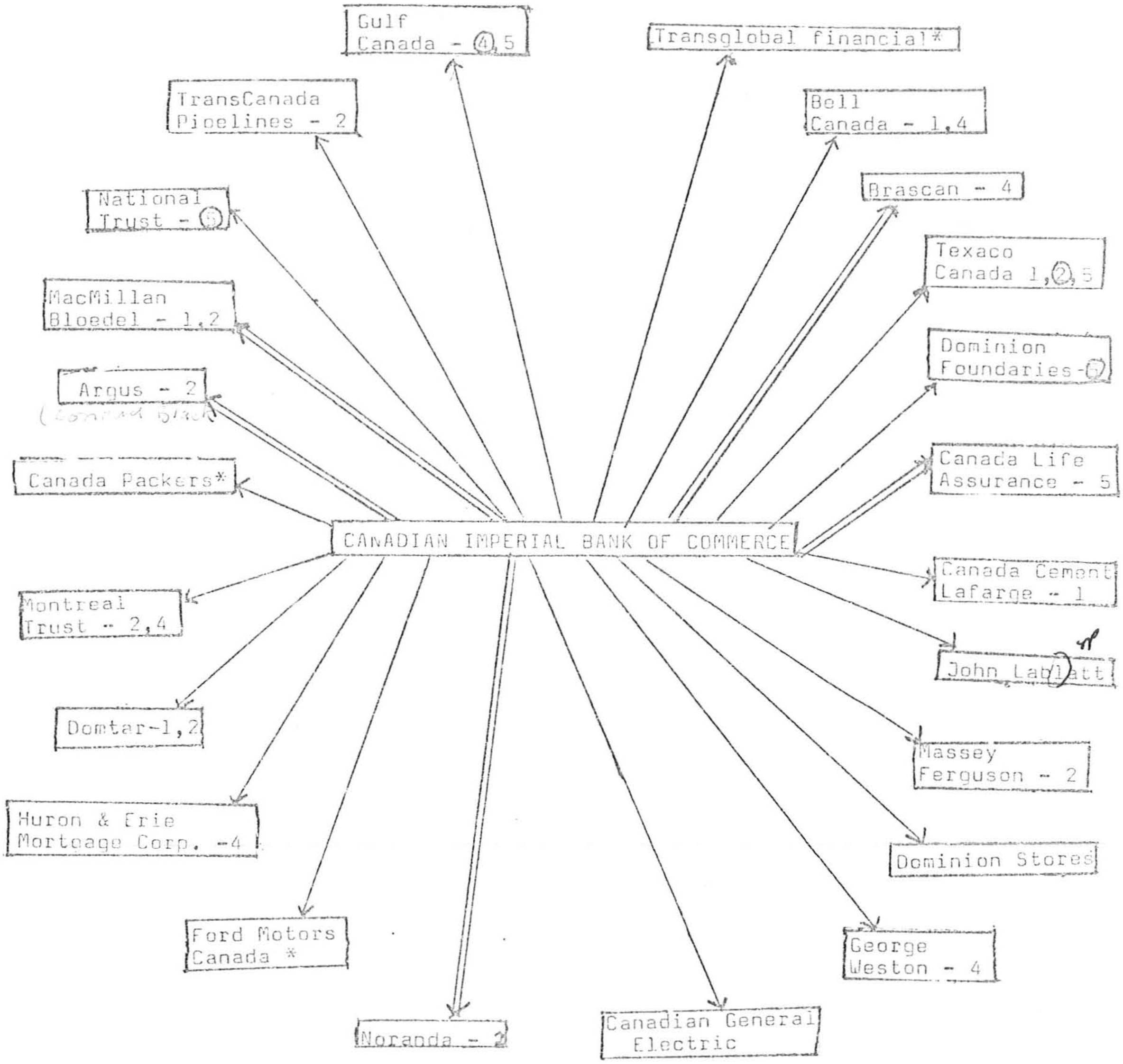
Key

* - corporation has ties only to the bank with which it is listed
⇒ - double line from bank to corporation indicates that this bank has the dominant ties although the corporation is also linked to other banks
Ⓝ - circled number by corporation indicates which other bank is dominant although it also has ties to the listed bank
1 - corporation also has ties with the Bank of Montreal
2 - Royal Bank
3 - Canadian Imperial Bank of Commerce
4 - Toronto Dominion
5 - Bank of Nova Scotia

DIAGRAM III

CANADIAN IMPERIAL BANK OF COMMERCE

INTERLOCKING DIRECTORATES



Key

* - corporation has ties only to the bank with which it is listed

⇒ - double line from bank to corporation indicates that this bank has the dominant ties although the corporation is also linked to other banks

Ⓝ - circled number by corporation indicates which other bank is dominant although it also has ties to the listed bank

1 - corporation also has ties with the Bank of Montreal

2 - Royal Bank

3 - Canadian Imperial Bank of Commerce

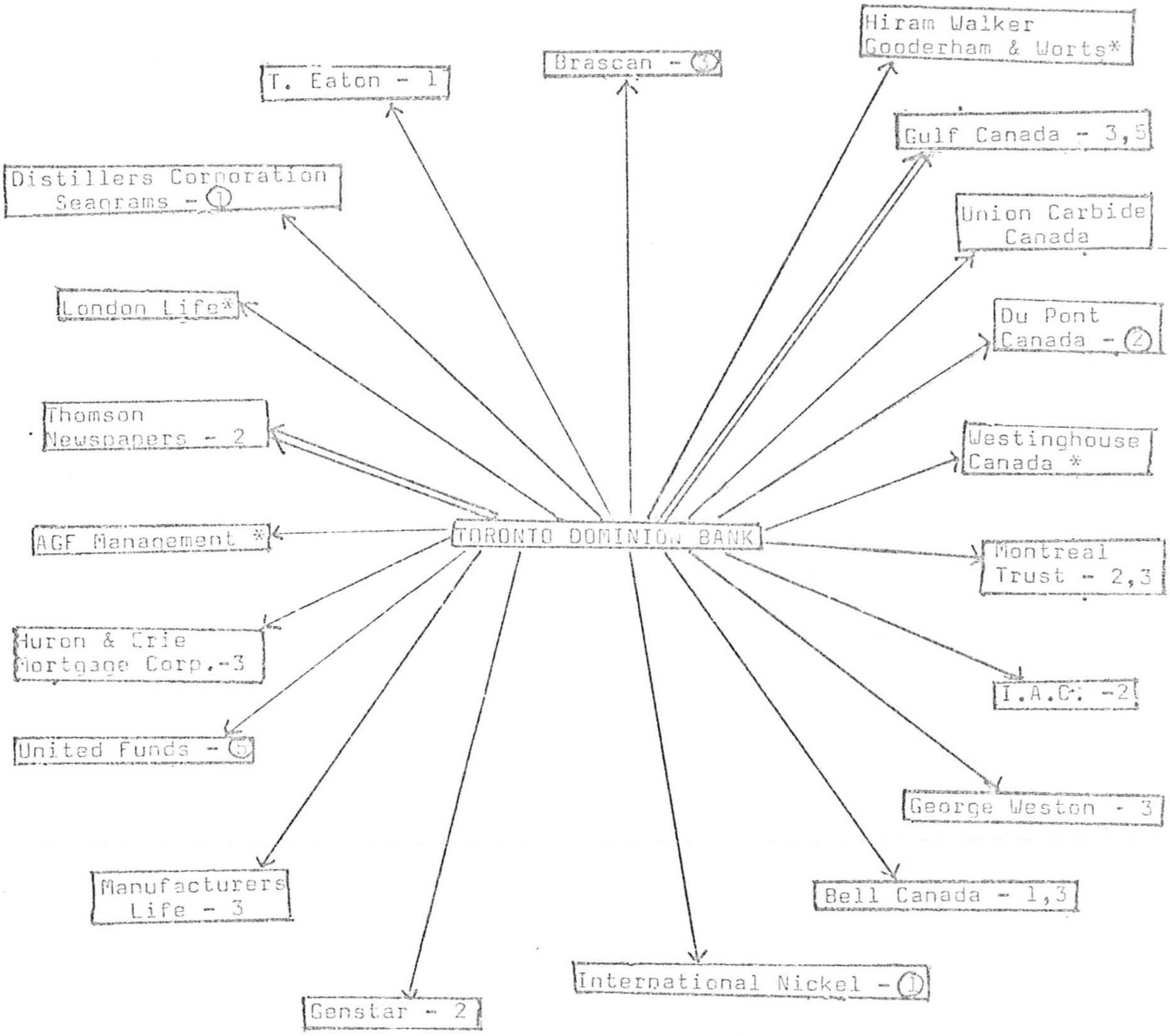
4 - Toronto Dominion

5 - Bank of Nova Scotia

DIAGRAM IV

TORONTO DOMINION

INTERLOCKING DIRECTORATES



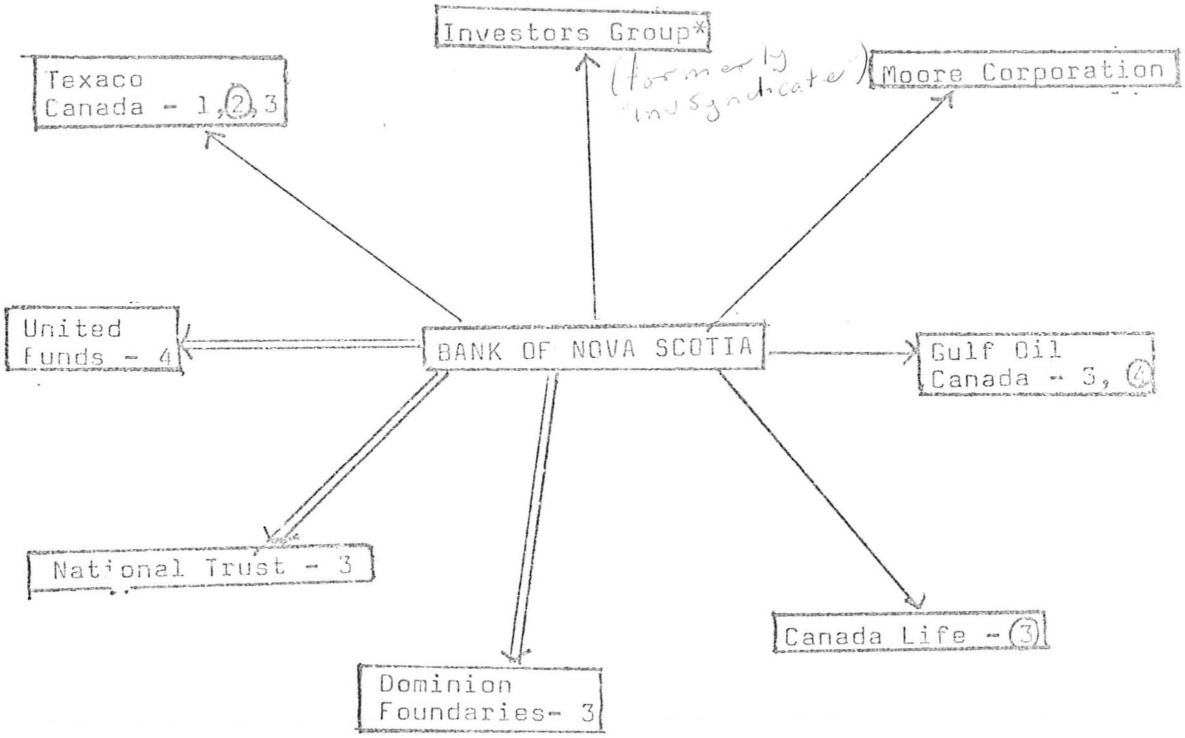
Key

* - corporation has ties only to the bank with which it is listed
⟹ - double line from bank to corporation indicates that this bank has the dominant ties although the corporation is also linked to other banks
(N) - circled number by corporation indicates which other bank is dominant although it also has ties to the listed bank
1 - corporation also has ties with the Bank of Montreal
2 - Royal Bank
3 - Canadian Imperial Bank of Commerce
4 - Toronto Dominion
5 - Bank of Nova Scotia

DIAGRAM V

BANK OF NOVA SCOTIA

INTERLOCKING DIRECTORATES



Key

* - corporation has ties only to the bank with which it is listed

⇒ - double line from bank to corporation indicates that this bank has the dominant ties although the corporation is also linked to other banks

Ⓝ - circled number by corporation indicates which other bank is dominant although it also has ties to the listed bank

1 - corporation also has ties with the Bank of Montreal

2 - Royal Bank

3 - Canadian Imperial Bank of Commerce

4 - Toronto Dominion

5 - Bank of Nova Scotia

The previous five pages pictorially summarize the data presented in Appendix II. Corporations have been assigned to the banks on the basis of the number of ties and the importance of the individual ties between the two. If a corporation has multiple links to more than one bank, these are indicated, along with information on which bank-corporate tie is most dominant.

One can see from the preceding diagrams the extent of multiple ties between the corporations and the banks. On the one hand, this is certainly not surprising. Paul Sweezy has remarked that a researcher would have very little difficulty in finding that all but a few of the top 200 non-financial corporations in the United States had interlocking directorates with other companies. This is also true of Canada. Porter reported a group of less than 1,000 directors who occupied a total of 1,346 directorateships in a number of interlocking corporations and financial institutions. Extensive interlocking seems to be a characteristic of modern corporate capitalism.

On the other hand, this phenomena tends to obscure distinct interest groupings. The multiple banking-corporate interlocks could be an indication that the corporation is linked to two or more groups, none of which is completely dominant. This seems to be the interpretation that Newman would favour.

> Corporations deliberately play banks off against each other to get the best deal possible, and some of the more aggressive giants--Argus Corporation, Power Corporation, International Nickel, and Noranda among them--now have representatives on more than one bank board. 4

It is possible that in this way, corporations are able to gain some limited autonomy while still remaining associated with the groups. Other researchers dealing with interest group analysis have encountered this situation. Pelton lists a number of major corporations in the United States which are shared by more than one group, such as General Motors, an alliance of Rockefeller, Morgan, Mellon, Boston, and Detroit interests. The Parks have listed a number of shared corporations in Canada, most notably Argus, which Newman mentions above. Whether the other measures of interest groups used in this thesis, ownership and use of bond trustee and transfer agent, as well as a historical comparison with the Parks' findings, can indicate to which group or groups the corporations with multiple bank interlocks are most closely tied, remains to be seen.

There is one other result of the interlocking directorate section that should be noted. A comparison with earlier studies of interlocking directorates shows a major change in the interlockings between banks and trust companies. The Royal Commission study of banking and finance in 1964 showed extensive direct interlocking between these two types of financial institutions. The Bank of Montreal had 15 interlocking directorates with Royal Trust, one of which was president of that company; the Bank of Nova Scotia had 5 directors in common with National Trust; Canadian Imperial Bank of Commerce had 7 directors in common with National Trust and 6 in common with Canada Permanent Trust, two of which were vice-presidents of that company; Toronto Dominion had 9 interlocking directors with Canada Permanent Trust, one of which was chairman of that company; and the Royal Bank had 15 interlocking directors with Montreal Trust, one of which was chairman of that company.[5]

In 1967, however, a new Bank Act was passed which prohibited interlocking between banks and trust companies. It also limited ownership of trust companies by Canadian banks to no more than 10% of the total stock.[6] (It might be noted that this ruling does not apply to foreign bank ownership of trust companies.) Therefore, in my study of interlocking directorates, I have found interlocking between banks and trust companies drastically reduced to a small number of advisory board members.

One can not assume because of this change, however, that trust companies and banks no longer have close working relationships. First, specific banks and trust companies have historical connections which they are unlikely to break. For example, McCollum in 1943, found 9 interlocking directors between Montreal Trust and the Royal Bank, and 12 interlocking directors between Royal Trust and the Bank of Montreal.[7] Ashley in 1957, the Parks in 1959, and the Royal Commission report in 1964 reported the same patterns of interlocking.

Total switching of bank affiliations rarely occurs. According to an article by Newman on Canadian banks, when Labatt's switched from the Bank of Nova Scotia to the Canadian Imperial Bank of Commerce in 1967, it was an event that shook the business world.[8] It is improbable that the historical ties between banks and trust companies were abruptly broken when the laws on interlocking directorates were changed.

Secondly, as will be seen in the section on use of transfer agents and bond trustees, the banks have retained their traditionally associated trust companies as their transfer agent or bond trustee. The Bank of Montreal's transfer agent and trustee is Royal Trust, the Royal Bank uses Montreal Trust, the Canadian Imperial Bank of Commerce has the National Trust as its trustee, and Toronto Dominion uses Canada Permanent Trust.

Thirdly, the bank directors and trust company directors meet on the boards of other corporations, particularly other financial institutions, and retain communication in this manner. For example, the Royal Commission report shows that the Bank of Montreal has 15 interlocking directors with Royal Trust, one of which is president of that company and one of which is chairman of the Bank of Montreal.[9] The Bank of Montreal also has 5 directors in common with Sun Life Assurance, one of which is president of that company and president of the Bank of Montreal.[10] The Royal Trust, in turn, has 3 directors in common with Sun Life Assurance, one of which is president of that company and one of which is chairman of Royal Trust.[11] This complex network of interlocking allows the banks and trust companies to interlock indirectly, through a third company.

Ownership

The next stage in determining whether economic interest groups exist in Canada is the examination of interlocking ownership. As noted in Chapter One, Sweezy, the Parks, and Porter have commented upon the importance of some amount of ownership for control, the amount varying with the corporation and its special circumstances. Ownership is the most important of the three indicators used in this thesis because it is the most certain, direct route to power and control.

Appendix III presents ownership data obtained primarily from the Statistics Canada publication, Inter-corporate Ownership, 1969. This sourcebook lists corporate holdings of other corporations if the amount of stock owned is 10% or over of the reporting corporation.

There are three limitations to using this source. First, restrictions on limiting ownership relationships reported to 10% or more excludes information about corporations which are effectively controlled with a less than 10% holding of stock. As mentioned previously, this is not an uncommon occurence. However, this phenomena is not revealed by the Statistics Canada information.

Secondly, there is no information on individual or family ownership; the manual deals only with corporate holdings. Therefore, the book will note that Cemp Investments own 100% of Seco Investments, which, in turn, owns 38.5% of Distillers Corporation Seagrams Ltd., but will never mention that all of these companies are utlimately owned by the Samuel Bronfman family.[12] Without knowing individual corporate ownership blocks, it is difficult to ascertain whether a reported corporate holding of a minority block of stock is controlling or not.

It is also difficult to determine the real importance or significance of individual bank directors and their connections. For example, the charts in the previous section showed that Distillers Corporation-Seagrams Ltd. has a direct and an indirect tie to the Bank of Montreal and a direct tie to the Toronto Dominion Bank. On the basis of this knowledge, one can not weight the importance of these ties. However, if one also knows that the Bank of Montreal directorate link is Charles R. Bronfman and that the Bronfmans own Distillers Corporation-Seagrams Ltd., then the picture of bank-corporate links becomes clearer.

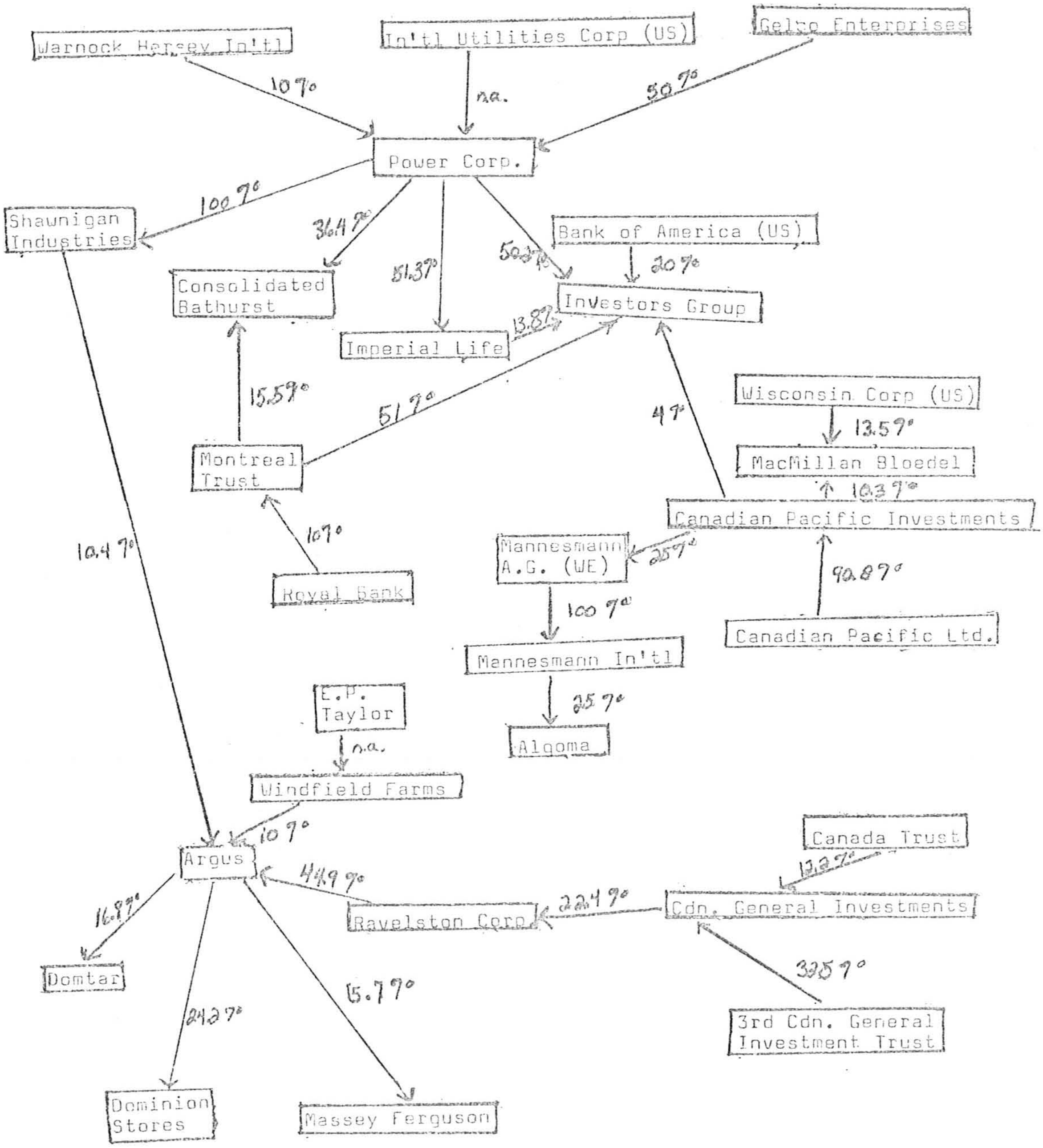
Thirdly, ownership of corporations is not a static process and there have been many changes since 1969. For example, Inter-Corporate Ownership breaks the ownership of Investors Group down into 20.4% owned by Canadian Pacific Investments, 17.7% held by Power Corporation, and 13.8% owned by Imperial Life Assurance Co., which itself is owned by Power Corporation. By 1972, however, the Canadian Pacific Investment holding had dropped to 4%[13], the Bank of America had acquired 5%[14], and Power Corporation had increased its share to 50.2%[15]. The amounts of stock have shifted hands, but the balance of power has remained with Power Corporation. This kind of continuity is true on a general level. Specific corporate ownership may change but the structuring of ownership relations remains essentially the same. Therefore, the data of the Inter-corporate Ownership book is of value.

The ownership data reveals that concentration of production is more advanced than even the list of dominant corporations suggests. Out of all the corporations and financial institutions in the sample, 28% of them had interlocking ownership ties with one or more other corporations and/or financial institutions within the sample. This is a considerable amount of "inbreeding." Diagram VI shows the major ownership complexes involving these companies.

Another 23% of the corporations had ownership ties exclusively with foreign multinational corporations. British interests owned one company, Western European interests owned two companies, and United States' interests owned 13 companies, in addition to having some ownership stake in another three companies. However, there are other companies which the Parks state are controlled by United States' interests, but which, due to the limitations of Inter-corporate Ownership, are not mentioned in that source. For example, the Parks state that Morgan-Rockefeller alliances control Bell Telephone,(now Bell Canada), and International Nickel, and that Mellon interests control Aluminium Ltd. (now Alcan Aluminium Ltd.).[16] These groups from the United States control in spite of the fact that recently both International Nickel and Alcan passed the 50% Canadian ownership mark. 51% of International Nickel and 57% of Alcan stock is now Canadian owned.[17] Majority Canadian ownership does not ensure Canadian control if the Canadian held

DIAGRAM VI

INTERLOCKING OWNERSHIP COMPLEXES



shares widely dispersed and the United States shares are held in large minority blocks. 23% of the sample, therefore, is an under-estimation of the extent of foreign and, specifically, American ownership and control of the corporations. The significance of foreign ownership for the concept of Canadian interest groups will be discussed in the next chapter.

I was unable to find corporate ownership data on 35% of the corporations in the sample. One of the difficulties in doing this type of research is the closed nature of the corporate world. Sociologists have penetrated the barriers of the ghetto and the whorehouse to reveal the inner workings of these environments, but have rarely attempted to or succeeded in breaking through the barriers of secrecy put up by the upper class to protect their economic interests. The only sources generally offering any information about corporate affairs are when corporate scandals and trust suits are brought to court, and financial news reported in the newspapers.

One very important source of ownership, about which there is little known, is the assets under administration in the trust departments of the banks. An interesting question would be, for example, do the banks administer blocks of stock in their trust departments of corporations with which they have interlocking directors, and do they administer their own stock in their trust department? Knowledge about these matters could provide an insight into another aspect of corporate-bank linkages and the ownership of banks.

Examination of the available ownership data shows that it is not entirely consistent with the interest groupings based on interlocking directorates. For example, Power Corporation is grouped with the Royal Bank on the basis of interlocking directorates, but Power Corporation owns the Investors Group which is more closely associated with the Bank of Nova Scotia, using interlocking directorates as the criteria. In addition to this, Power Corporation has ownership ties with Consolidated Bathurst which is grouped primarily with the Bank of Montreal, and a minority share of Argus Corporation which is primarily with the Canadian Imperial Bank of Commerce. Power Corporation also has ownership ties to Great West Life Assurance and Montreal Trust, neither of which have dominant interlocking ties to the Royal Bank. Great West Life Assurance has an equal number of interlocking directorates with the Bank of Montreal and the Royal Bank, while Montreal Trust has an equal number of advisory board ties with the Royal Bank, the Canadian Imperial Bank of Commerce, and the Toronto Dominion Bank, although it has historically been associated with the Royal Bank.

The Canadian Pacific ownership group is also inconsistent with interlocking directorate information. Canadian Pacific has a minority ownership stake in Investors Group which is associated solely with the Bank of Nova Scotia and is controlled through ownership by Power Corporation which is associated with the Royal Bank. Canadian Pacific, itself, is grouped primarily with the Bank of Montreal. Through its subsidiary, Canadian Pacific Investments, Canadian Pacific has ownership interlocks with MacMillan Bloedel which is predominately associated with the Canadian Imperial Bank of Commerce, and TransCanada Pipelines, which has relatively equal ties with the Royal Bank and the Canadian Imperial Bank of Commerce.

However, other ownership ties are more in line with interlocking directorates. For example, Brascan owns 23.4% of John Labatt Ltd. They are both closely associated through directorates to the Canadian Imperial Bank of Commerce. Both Traders Group and Royal Trust, which are linked by ownership, are tied to the Bank of Montreal. A final example is Argus and three of its subsidiaries--Dominion Stores, Massey Ferguson, and Domtar--are linked through interlocking directorates to the Royal Bank and the Canadian Imperial Bank of Commerce.

Ownership information is complicated by the fact that trust and holding companies, insurance companies, and investment funds have minority blocks of stock ownership in almost every corporation in the sample. For example, Canadian Investment Fund, Guaranty Trust, Imperial Life Insurance (owned by Power Corp.), Investors Group (owned by Power Corp.), London Life Insurance, Manufacturers Life Insurance, Montreal Trust (owned by Investors Group), Royal Trust, Sun Life Assurance, and United Funds Management all own blocks of Alcan Aluminum stock. The largest holding, owned by the Power Corp. - Montreal Trust - Investors Group, is 349,125 shares of Alcan. However this block of shares is only 1.1% of the total Alcan outstanding common shares. Royal Trust has the next largest holding, but again, it only has .8% of Alcan stock.

The Power Corp. - Montreal Trust - Investors Group combination seems to be the largest stockholder among all the holding companies and funds. The group has sizeable minority shares in many of the industrials in the sample. For example, Power Corp. - Montreal Trust - Investors Group owns 6.8% of Industrial Acceptance Corp., 5.9% of John Labatt Ltd., 7.9% of TransCanada Pipelines Ltd., 3.5% of George Weston Ltd., and 4.1% of MacMillan Bloedel, to name a few of the holdings.

Appendix IV has two tables--one showing the top two financial institutions in the sample that hold shares of corporations in the sample for which other ownership information was unavailable, and another table showing the total percentage of stock that financial institutions hold in the five banks and the majority of corporations in the sample.

It has been noted previously that in large corporations with widespread minority ownership, often a block of ownership of 5% or less is enough to control the company. The financial company stockholdings listed above and in the appendix could be of real significance in this case. Dominion Foundaries & Steel Co. could be controlled by the Power Corp. - Montreal Trust - Investors Group combination with 6.9% and they could also have a great deal of influence in the affairs of Steel

Co. of Canada with 4.4% or Moore Corporation with 4%. This group will also have a strong position on the Royal Bank with 4.1% and the Canadian Imperial Bank of Commerce with 5.1%. Unfortunately, it is impossible to ascertain whether these minority shares are controlling blocks or not because of lack of information about individual ownership.

Again this ownership data does not directly coincide with interlocking directorate group data. The Power Corp. - Montreal Trust - Investors Group combination has sizeable minority shares, perhaps controlling shares in some cases, in not only companies assigned to each bank centered group on the basis of interlocking but also to each bank itself.

Another example of inconsistent interlocking-ownership data is the case of Canada Packers and Canadian Investment Fund. Canada Packers is associated by directorate ties only with the Canadian Imperial Bank of Commerce. Canadian Investment Fund, which owns 2.5% of Canada Packer shares, has directorate ties only with the Bank of Montreal. These inconsistencies will have to be taken into account when all three indicators are put together to assign corporations, when possible, to interest groups.

Use of Transfer Agent and Bond Trustee

A final measure of interest group cohesion is the corporation's choice of transfer agent and bond trustee. As discussed in Chapter One, when corporations are in the same interest group, they tend to have the same transfer agent and bond trustee. Trustees and transfer agents have extensive knowledge of the corporation's financial affairs and are directly compensated by the corporation for their services. When corporations in the same interest group have the same trustee and transfer agents, the trustee and transfer agent can assist in co-ordinating activity between the corporations, inform them of takeover attempts, and/or arrange trade reciprocity agreements. In other words, they can strengthen the bonds between the corporations within the interest group.

The corporations placed into interest groups on the basis of predominate directorate ties were checked for their choice of bond trustee and transfer agent. This data is presented in Appendix V.

The Bank of Montreal and the Royal Bank groups, based on interlocking directorates, are fairly cohesive in this regard. 59% of the Bank of Montreal group, including the Bank of Montreal itself, used either the Bank of Montreal Trust Co. in the United States or the Royal Trust Co. as either transfer agent and/or bond trustee. If the companies considered were limited to those which had dominant ties with the Bank of Montreal, those which were not shared with other banks, and those which had interlocking ties exclusively with the Bank of Montreal, this percentage goes up to 73%.

The Royal Bank group was even more consistent. 80% of this group, including the Royal Bank, had either the Royal Bank of Canada Trust in the United States or Montreal Trust as either bond trustee and/or transfer agent. If one restricted the group on the basis of the same qualifications as above, the percentage rises to 86%.

The other banks that have a trust company associated with them on the basis of interlocking directorates are the Bank of Nova Scotia and the Canadian Imperial Bank of Canada, both linked to the National Trust. 43% of the Canadian Imperial Bank of Commerce group, including the Bank, had National Trust as either transfer agent and/or bond trustee. Restricting the number of companies to those most closely tied to the bank gives essentially the same results.

The Bank of Nova Scotia, although it is tied through interlocking directors to National Trust, does not itself use the National Trust as a bond trustee or transfer agent. Instead it has Canada Permanent Trust. Both these trust companies are equally used, each by 50% of the companies linked to the Bank of Nova Scotia.

Toronto Dominion Bank also uses Canada Permanent Trust as its bond trustee, although it is not interlocked by directors to that company. 23% of the corporations in the Toronto Dominion Bank group use Canada Permanent Trust. The Toronto Dominion Bank and the companies that interlock with it seems to be the least cohesive of the bank groups, in regard to similar choices of bond trustee and transfer agent.

Summary

This chapter presented data concerning interlocking directorates, interlocking ownership, and similar use of transfer agents and bond trustees, for a sample of banks, financial institutions, and industrial corporations.

Tentative interest groupings were drawn up on the basis of interlocking directorates. There were many corporations which could not be definitely assigned to one banking complex but instead were found to have interlocks with more than one bank. These corporations comprised the majority of the sample.

In the next section, interlocking ownership was examined. About a quarter of the companies in the sample were interlocked by ownership to each other. Another quarter had ownership ties exclusively to foreign multinational corporations. In addition, financial institutional investors were discovered to hold considerable minority blocks of many of the corporations. The problem of secrecy about individual and bank administered stock ownership was commented upon. A comparison between interlocking directorate and interlocking ownership data indicated synchronization but also some inconsistencies.

Finally, choice of bond trustee and transfer agent for companies assigned to each bank group was analyzed. The Bank of Montreal and the Royal Bank groups were highly cohesive in this respect. The other three bank groups were less consistent in their use of the same board trustee and transfer agent.

Footnotes
Chapter Two

1. I was unable to find information on one director for the Bank of Montreal, one for the Bank of Nova Scotia, and two directors for the Canadian Imperial Bank of Commerce.

2. Financial Post, October 31, 1973, p. C-7.

3. Ibid.

4. Peter C. Newman, "The Bankers," Macleans, Vol. 85, No. 3, March, 1972, p. 78.

5. R. Craig McIvor, "Directorate Relationships Among Selected Financial Institutions," Royal Commission on Banking and Finance, 1964 B, pp. 268-269.

6. Financial Post, November 10, 1973, p.1.

7. Hugh Watt McCollum, Who Owns Canada?, (Ottawa: Woodsworth House Publishers, 1947), p. 18.

8. Newman, op. cit.

9. McIvor, op. cit., p. 268.

10. Ibid.

11. Op. cit., p. 269.

12. Financial Post, September 16, 1972, p. 18.

13. Robert Chodos, The CPR: A Century of Corporate Welfare, (Toronto: James Lewis & Samuel, Publishers, 1973), p. 154.

14. "Power corrupts, absolutely," Last Post, Vol. 2, No. 3, December-January, 1971-1972, p. 16.

15. Power Corporation Annual Report, 1972, p. 8.

16. L.C. and F.W. Park, Anatomy of Big Business, (Toronto: Progress Books, 1962), p. 101.

17. Financial Post, April 28, 1973, p. 4.

Chapter Three

By combining the three measures of interest grouping, it is possible to formulate groups evolving around the major banks in Canada. The three measures vary in their importance. Ownership is considered to be the most important variable, followed by interlocking, and the use of the same transfer agent and bond trustee. Because ownership was considered to be the strongest indication of ties between corporations, none of the major ownership complexes--Argus Corporation, Power Corporation, and Canadian Pacific Ltd.--shown in Diagram VI in the previous chapter were broken up, but were assigned to the group or groups that had the most extensive ties with the parent. Generally the subsidiaries also had ties to the same bank or banks so that there was not a direct contradiction between parent and subsidiary links.

Companies were assigned to a group if two of the measures were consistent in their links to that group. If two measures for a corporation, for example, interlocking directorates and use of a bond trustee and transfer agent, consistently pointed to the linking of the corporation with more than one bank group, then these corporations were assigned to the groups indicated.

The following examples are specific examples of the procedure followed. John Labatt Ltd. has interlocking ties with the Canadian Imperial Bank of Commerce and uses the Canadian Imperial Bank of Commerce Trust Co. in New York as its transfer agent. In addition, it is owned by Brascan which also has interlocking directorate ties to the Canadian Imperial Bank of Commerce. Therefore John Labatt Ltd. was assigned to the Canadian Imperial Bank of Commerce. Another example is MacMillan Bloedel Ltd. which has one interlocking directorate each with the Royal Bank and the Bank of Montreal. It also has two interlocking directorates with the Canadian Imperial Bank of Commerce, one of which is the chairman and chief executive officer of MacMillan Bloedel. On the basis of interlocking then, it would appear that the Canadian Imperial Bank of Commerce has more influence. However, the other two measures of interest grouping indicate that the Bank of Montreal with only one direct tie is more strongly connected. Canadian Pacific Investments, a subsidiary of Canadian Pacific Ltd., which has historically been associated with the Bank of Montreal group, owns 10.3 per cent of MacMillan Bloedel. An American corporation owns an additional 13.5 per cent. In addition, MacMillan Bloedel uses the Royal Trust Company as a transfer agent, which has also historically been associated with the Bank of Montreal. These last two measures seem to outweigh the importance of the first. The same procedure was used to assign the remaining companies.[1] The following five charts are the results of this synthesis of the three measures for each bank.

DIAGRAM VII

BANK OF MONTREAL

INTEREST GROUP

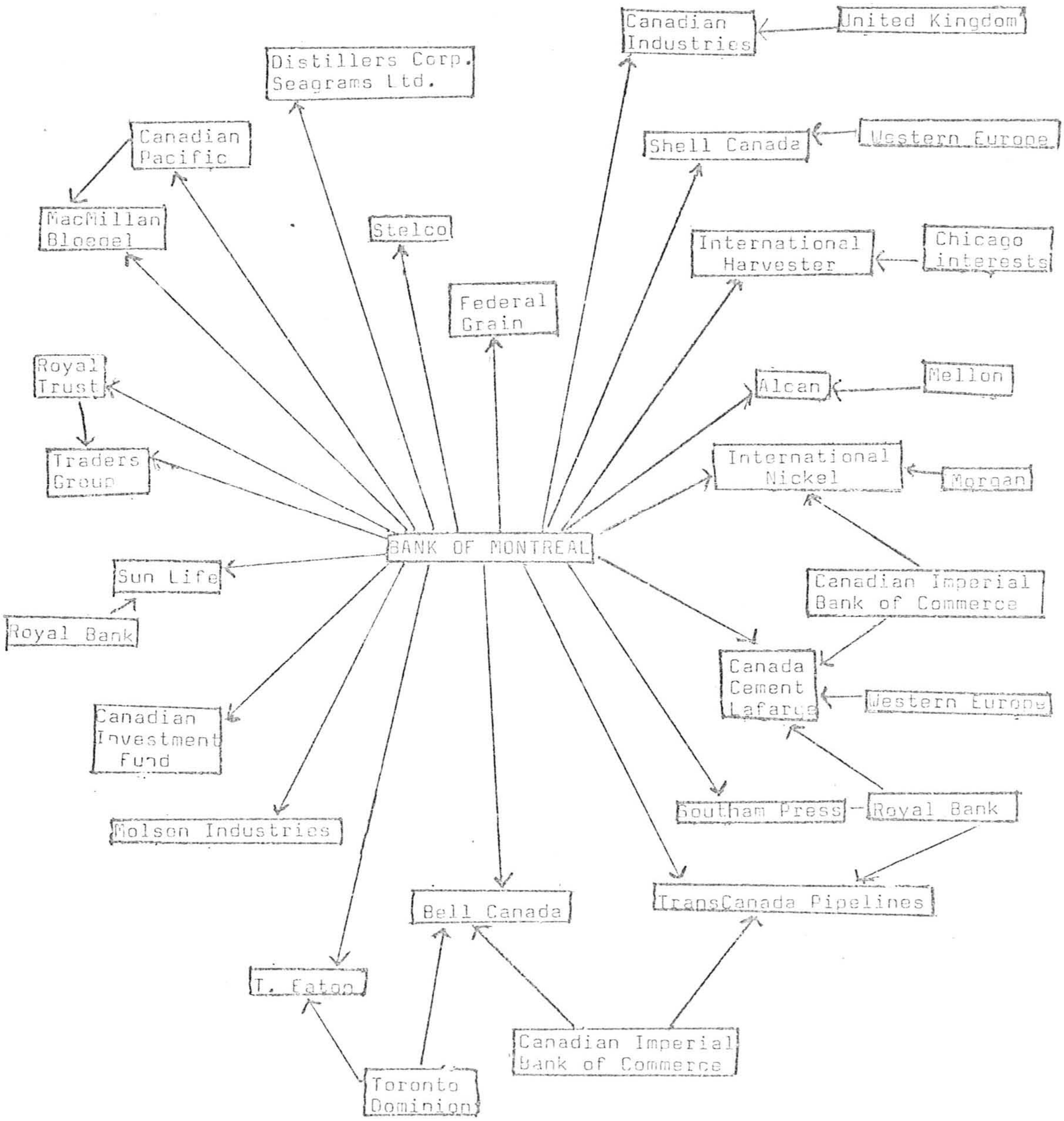


DIAGRAM VIII

ROYAL BANK

INTEREST GROUP

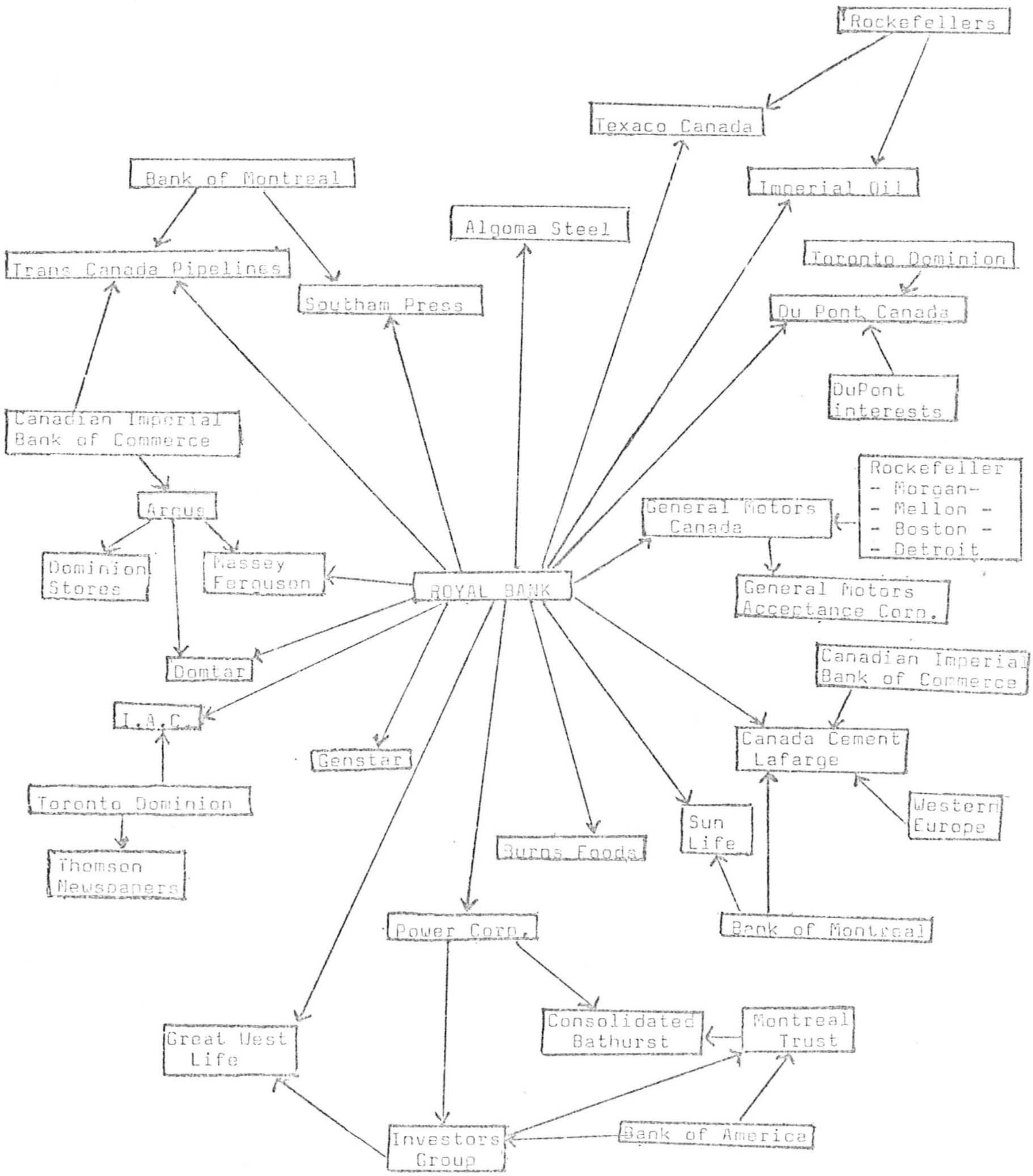


DIAGRAM IX

CANADIAN IMPERIAL BANK OF COMMERCE

INTEREST GROUP

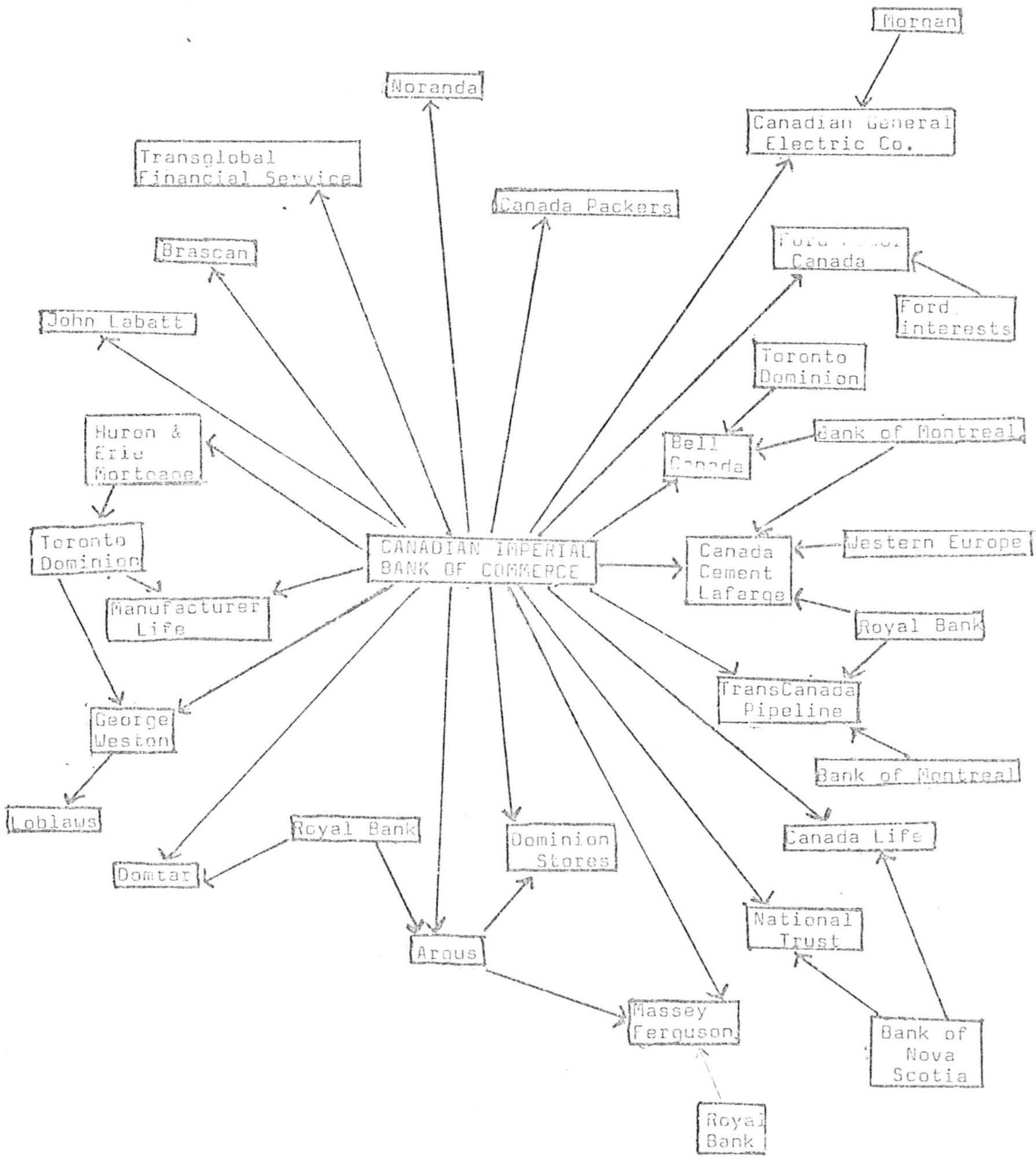


DIAGRAM X

TORONTO DOMINION INTEREST GROUP

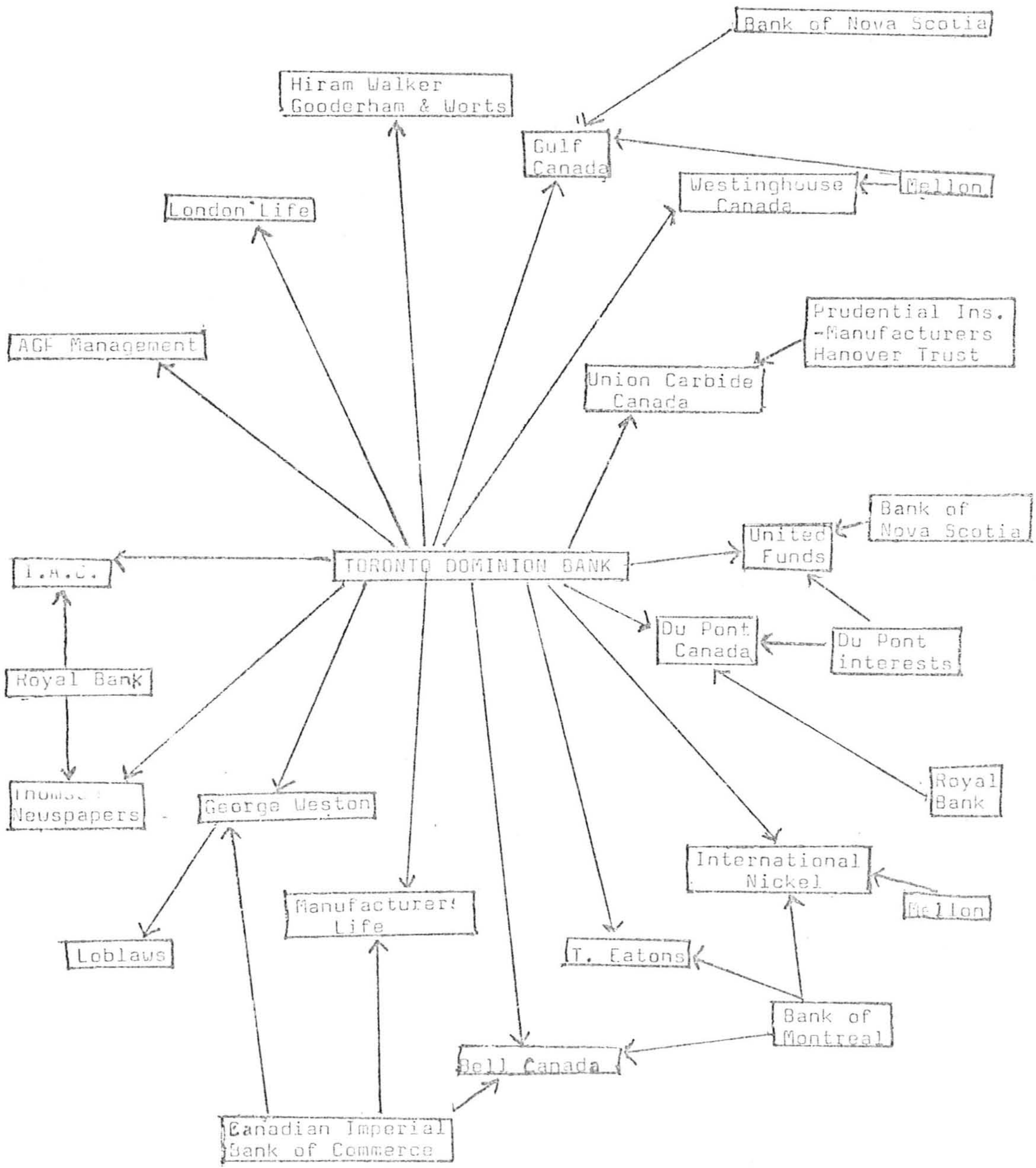
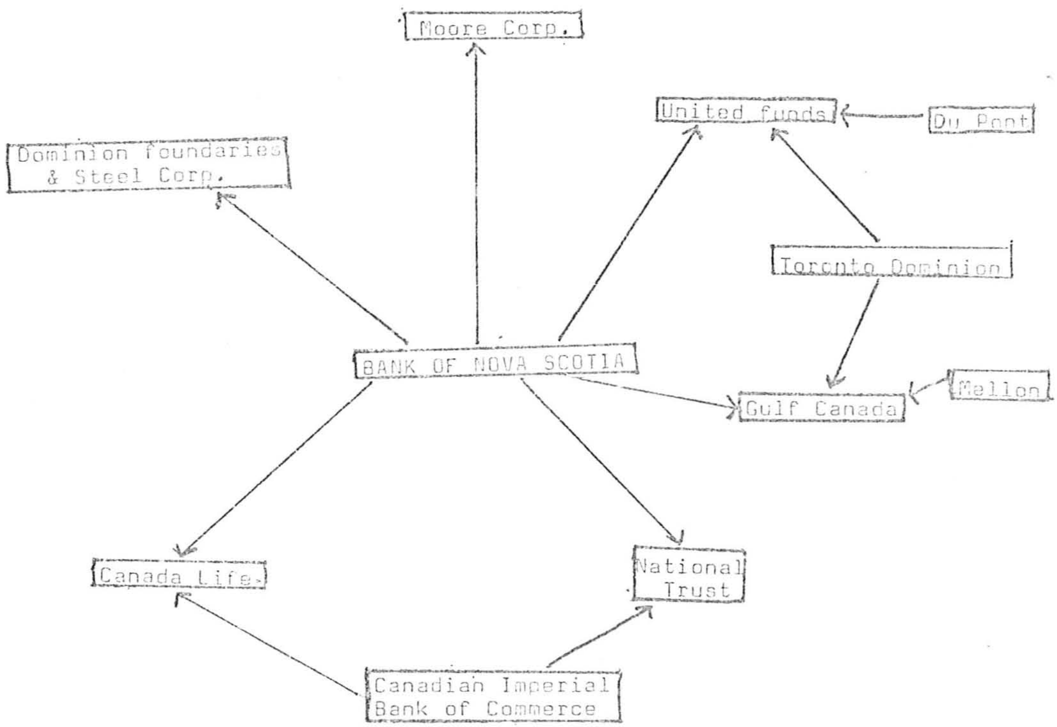


DIAGRAM XI

BANK OF NOVA SCOTIA

INTEREST GROUP



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Comparison With Parks' Study

Park and Park, as noted earlier, also studied interest groups in Canada in the late 1950's - early 1960's. The Canadian economy has not stood still since then. Old directors have resigned, new ones have been appointed, ownership of companies has changed hands, and new legislation has forced corporations to modify their policies. In fact, even during the time of my research, changes have occurred. For example, Federal Grain has gone on a program of diversification and has changed its name to Federal Industries; Neil J. McKinnon, chairman of the Canadian Imperial Bank of Commerce since 1959, has announced his retirement; and Canadian Pacific Ltd. has made a possible takeover attempt of Algoma Steel.

On the surface, change is apparent, but in order to determine just how extensive and significant that change is, it would be of some value to compare my findings with those of the Parks, derived nearly fifteen years earlier.

In doing so, I found considerable agreement between the Parks' study and my findings on companies associated with the various banks. The following companies remained associated with the Bank of Montreal over this time period: Canadian Industries, Steel Co. of Canada, Canadian Pacific, Royal Trust, Canadian Investment Fund, International Nickel, Alcan Aluminum, Molson Industries, Bell Canada, and Sun Life Assurance. The latter two are shared with other banks.

The Parks and I agree upon these companies for the Royal Bank--Imperial Oil, Texaco Canada, Algoma Steel, Power Corporation, Montreal Trust, Thomson Newspapers, Canada Cement

Lafarge, Sun Life Assurance, TransCanada Pipelines, Argus Corporation and its subsidiaries, Domtar and Massey Ferguson. The last five corporations listed are shared with other banks.

The core group of the Canadian Imperial Bank of Commerce that has remained connected from the time of the Parks' study to mine are Brascan, Ford Motor Co. of Canada, Noranda Mines, Argus and its subsidiaries, Domtar and Massey Ferguson, National Trust, TransCanada Pipelines, and Canada Life Assurance. Most of these either the Parks or I found to be shared companies between the banking groups.

The Toronto Dominion Bank and the Bank of Nova Scotia groups are fairly small and consist mostly of companies shared with other banks. The Parks and I agree upon Hiram Walker-Gooderham & Worts, Westinghouse Canada, United Funds, T. Eatons, and Manufacturers Life for Toronto Dominion Bank. Agreement for the Bank of Nova Scotia group was reached on the following companies: Dominion Foundaries & Steel Co., Canada Life Assurance, and Gulf Oil Canada.

All of the companies that changed their position in regard to the bank groups fall into three categories. First there were several companies which the Parks had noted were unaffiliated that since then have established interlocking directorates with the banks. Distillers Corporation-Seagrams Ltd, Shell Canada, and T. Eaton's, formerly unaffiliated by interlocking directorates, now have ties to the Bank of Montreal. T. Eaton's also has gained representation on the Toronto

Dominion board.

A large number of corporations in both the Parks' and my study were shared between the various banking groups. One group within this category remained shared among the same corporations, for example Sun Life Assurance between the Bank of Montreal and the Royal Bank, and Argus Corporation between the Royal Bank and the Canadian Imperial Bank of Commerce.

However, there was considerable amount of change among the rest of the corporations in this category. Often the bank groups sharing the corporation were essentially the same but there occurred a shift in the balance of power with that group. For example, Park and Park indicated that TransCanada Pipelines Ltd. was linked to Toronto Dominion with 4 directors, to the Canadian Imperial Bank of Commerce with 2 directors, to the Royal Bank and the Bank of Nova Scotia, each with 1 director. I found that the Royal Bank had increased its representation to 3 directors, while the Toronto Dominion Bank had been cut back to 2 directorate ties. The Canadian Imperial Bank of Commerce retained 2 directors, one of which was chairman and chief executive officer of TransCanada Pipelines Ltd. The Bank of Nova Scotia lost its only directorate link while the Bank of Montreal gained one directorate tie. The main trustees and transfer agents are the National Trust (which is associated with the Canadian Imperial Bank of Commerce) and Montreal Trust (associated with the Royal Bank). Emphasis, therefore, seems to have switched from the Toronto Dominion to the Royal Bank, with the Canadian Imperial Bank of Commerce maintaining its influence.

Another example of changing influence is the connections of Canada Life Assurance with the banks. Park and Park state that the Royal Bank has two directors in common with Canada Life "although influence on the Canada Life board is shared with the Imperial-Commerce (four directors in common) and the Nova Scotia (five directors in common)."[2] In addition, the Bank of Montreal had one tie and the Toronto Dominion had two ties. I found that the Royal Bank had lost all of its interlocking directors with Canada Life. The Bank of Nova Scotia had also lost two directorate ties and the Toronto Dominion Bank lost one. The Canadian Imperial Bank of Commerce, however, retained all of its ties, one of which was chairman of Canada Life. In this case, the Royal Bank's influence has obviously waned.

Finally there was a group of companies that had switched from one banking group to another. For example, the Parks link the Canadian General Electric Co. to the Bank of Montreal. The Royal Bank, Toronto Dominion, and the Bank of Nova Scotia had one directorate tie as well, but the Parks assign Canadian General Electric to the Bank of Montreal. In my study, the Bank of Montreal had lost all of its directorate ties to Canadian General Electric. The Bank of Nova Scotia was no longer represented either. The Royal Bank and the Toronto Dominion retained their single ties, but the Canadian Imperial

Bank of Commerce, which had not even been represented before, gained two directorate ties, one of which was chairman and chief executive officer of Canadian General Electric. In addition, the Canadian General Electric Co. used National Trust as its transfer agent, which is linked to the Canadian Imperial Bank of Commerce.

The Canadian Imperial Bank of Commerce seems to have gained linkages while the Bank of Nova Scotia has generally lost linkages. In addition to the companies mentioned already, the Bank of Nova Scotia lost its ties with one other company. The Parks assigned Loblaw Cos., which is owned by George Weston Ltd., to the Bank of Nova Scotia. I found that Loblaws had no interlocking ties to any bank but George Weston had indirect interlocking ties with the Toronto Dominion Bank and the Canadian Imperial Bank of Commerce. Neither company was interlocked with the Bank of Nova Scotia.

In summary, I found considerable agreement between the Parks and myself on the core companies which have previously been associated with the various banks, particularly the Big Three. The largest category of companies, however, were those which have representation on more than one bank and which have undergone shifts in the balance of power among the banking groups.

Allegiance of American Multinationals

At this point, I must question whether foreign owned multinational corporations like Canadian General Electric Co.

or Du Pont of Canada Ltd., can be assigned to a Canadian interest group in any meaningful way. As noted previously, over a quarter of the companies in the sample fall into this category.

Some of the foreign owned corporations have close ties to particular banks. For example, the chairman and president of Toronto Dominion Bank sits not only on the Union Carbide Canada firm, but also on its American parent. There are two other direct links between Toronto Dominion and Union Carbide Canada, one of which is president of that company. In addition, there are three interlocking indirect links, one of which is president, and one of which is chairman of Union Carbide Canada subsidiaries. Both the Toronto Dominion Bank and Union Carbide Canada use Canada Permanent Trust as their transfer agent. The only intervening factor is that Union Carbide Canada is 75% owned by its American parent.

Another example of close ties is Ford Motor Co. of Canada and the Canadian Imperial Bank of Commerce. They have three direct interlocking ties, one of which is chairman of the Canadian Imperial Bank of Commerce, and one of which is chairman and chief executive officer of Ford Motor Co. of Canada. This company has no interlocking ties with any other Canadian bank. Another interesting link between them is the fact that Ford Motor Co. of Canada and the Canadian Imperial Bank share ownership of a Beechcraft Hawker 125 jet.[3] Again, the intervening factor is that Ford Motor Co. of Canada is 83.4% owned by Ford Motor Co. in the United States.

Perlo discussed the concept of the interest group in terms of "a complex network of interlocking directorates and stockholdings."[4] Throughout this thesis, the importance of some amount of ownership, the amount depending upon the situation, has been stressed as a prerequisite for control and power to determine corporate policies. Can Canadian interest groups affect multinational subsidiaries' policies or are the multinationals' first allegiance to their parent companies?

Some multinational subsidiaries' managers argue that they operate independently of their parent and are free to establish their own policies. One firm that claims this freedom is Garrett Manufacturing, wholly owned by an American corporation. According to an article in the Financial Post, Garrett Manufacturing "operates as a completely separate entity and seeks its own world markets, after checking that its parent is not in the market for the Canadian product."[5] Garrett Manufacturing buys most of its supplies in Canada so that in some products, Canadian content is over 90%.[6]

W.C. Tate, the vice president and general manager, argues that not only has Garrett Manufacturing selected its own specialization but it also has retained all of its profits. "Since the company was established in Canada in 1961..., not 1¢ of the Canadian firm's profit has crossed the border."[7]

Another multinational spokesman, R.F. Bennett, president and chief executive officer of Ford Motor Co. of Canada argues that there is no conflict of interest between Canadian ties and U.S. parental ties.

> Mr. Bennett asserts that foreign ownership does not determine the way in which Ford of Canada is operated. "We act exactly the same as we would if the majority of our shareholders were in Canada." 8

On the one hand, this assertion can be questioned on issues like the amount of importation of supplies of Ford compared to other Canadian corporations, but on the other hand, Bennett is simply acknowledging the fact that capitalists are capitalists, regardless of national origins. John Porter agrees with this notion when answering those who believe that Canadian minority ownership and Canadian boards of directors would alleviate the undesireable aspects of foreign investment.

> Corporations, however, are governed by human beings who behave in accordance with a set of institutional norms--those of corporate capitalism. To argue that national sentiments and the "national interest" would supplant the historical and inexorable norms of capitalist enterprise is to reveal an ignorance of the capitalist economy. 9

A final example of a company which claims autonomy and which has been described as the nearly ideal foreign corporate citizen in Canada is Imperial Oil Ltd. Although Imperial Oil is 69.8% owned by Standard Oil of New Jersey, 40,000 of its 46,000 shareholders are Canadian. Eight men on Imperial Oil's nine member board of directors are Canadian.[10] In addition, although Standard Oil of New Jersey acts as banker for all of its other companies, Imperial Oil selects its own banker.[11] These are all qualities cited by the business community as indications of Imperial Oil's "confident Canadianism," (as opposed to "negative nationalism").[12]

Garrett Manufacturing, Ford Motor Co. of Canada, and Imperial Oil claim to be autonomous operations. As shall be discussed presently, there are strict limitations imposed upon foreign companies, even ones claiming autonomy. First, however, the general extent of centralization and supervision of subsidiary operations by the parent must be examined.

A.E. Safarian, conducting a study of 280 selected foreign owned corporations in the early 1960's,found that 50% of the firms stated they were "partly supervised," 32% said supervision was "negligible," and 18% claimed it was "extensive."[13] Safarian points out that the degree of centralization of decision making varies from firm to firm, but concludes that "In the great majority of cases 'a high degree of controlled autonomy' seems best to describe the situation."[14] This means that the subsidiary has day-to-day operational freedom but the parent has policy control, including policies "involving financial changes or capital expansion."[15] Policies "involving financial changes" could mean a great deal of supervision from the parent corporation, depending on how broadly they define this phrase.

In a later book sponsored by the Canadian-American Committee, an interesting assortment of Canadian and American capitalists, such as H.E. Ekblom, senior vice-president of Chase Manhattan Bank, T.N. Beaupre, chairman and president of Domtar Ltd., W.O. Twaits, chairman of Imperial Oil Ltd., and John R. White, vice president and director of Standard Oil of

New Jersey, Safarian stresses the limitations of corporate subsidiary autonomy, limitations rising from the very structure of ownership and control.

> It should be emphasized...that there are clear limits to the degree to which decentralization of decision-making can be affected. The owners of capital will demand, at the very minimum, some sort of an accounting concerning the use of their assets, with obvious implications for major policies and major finances at least. 16

Authors I.A. Litvak, C.J. Maule, and R.D. Robinson list three factors which affect the responsiveness of foreign subsidiaries to pressures for "Canadianization," all of which revolve around the parent corporation. The first factor is the parent's perception of Canada as a separate sovereignty; secondly, the parent's awareness of distinctive Canadian interests; and thirdly, the parent's perception of possible corporate strategies in regard to Canadian operations.[17] The responsiveness a foreign subsidiary shows towards "Canadianization," therefore, is strictly determined by the parent corporation. Even if the parent opts for subsidiary autonomy, there are limitations imposed upon it due to private property, ownership, and control--forces inherent in capitalist society.

There are two specific areas, as well as the general limitations just mentioned, which indicate that the foreign subsidiary's main ties are with the foreign parent corporation and not with a Canadian interest group.

First of all, there are large volumes of trade between the subsidiary and its parent. <u>A Citizen's Guide To The Gray</u>

Report, published in 1971, stated that foreign subsidiaries were importing "a large and growing proportion of their purchases of goods and services...."[18] Compared with Canadian companies, foreign subsidiaries were found to be more import oriented.

Safarian broke foreign subsidiaries down into ten categories of production specialization and figured the import percentages of total purchases. The highest sector was transportation equipment, (primarily automobile parts), in which imports constituted over half or 54.1% of total purchases, for a $1,010.5 million sum.[19] One automobile manufacturer, Ford Motor Co. of Canada, contrary to R.F. Bennett, did not even control most of its purchasing. Rather purchasing "had been integrated on a North American basis and was mainly conducted through the parent company."[20] The average percentage of importation was 30.9% of total purchases with the total purchase of imports by these subsidiaries adding up to $2,683 million.[21] This is a large amount of trade that is not available to the Canadian interest group because of the foreign subsidiaries' ties to the foreign parents, even though the subsidiaries might be closely associated with the banking groups, through interlocking directorates and similar use of the same transfer agent and bond trustee.

Secondly, a factor which does not suggest foreign subsidiaries' ties to their parent corporations as much as ties to the parent country, is the affect of American laws. For example, the Trading With the Enemy Act prohibits any U.S. citizen, (including corporations), from trading with specified forbidden countries. Thus, in 1957, Ford Motor Co. of Canada was accused of refusing to ship trucks to China because of feared repercussion from the United States. Aluminum Co. of Canada also turned down possible business with China for the same reasons.[22]

Other powers the American government can apply are anti-trust laws and balance of payment legislation, which could either encourage or force repatriation of foreign earnings. Canada has so far been granted exemption from the latter, in return for other concessions on the part of the Canadian government. All of these U.S. government measures, however, sap away some of the power and influence that interest groups in Canada could wield.

There is one final area of policies and practices involving foreign subsidiaries that is of significance for the issue at hand, and that is the source of funding for subsidiaries. Safarian presents data from 1957-1964 which shows the source of funds for U.S. direct investment companies in manufacturing, mining, and petroleum.[23] The average figures are 73% from net income and depreciation (internal sources), 12% from Canadian sources other than the subsidiary itself, and 15% from sources in the United States, mostly from the parent. The figures for 1964 alone show marked less reliance on U.S. sources, and equal increases in the use of the other two sources. Kari Levitt refers to the same data, which was taken from <u>U.S. Survey</u>

of Current Business.

The practice of listing depreciation as a source of funds available for operations or expansion has been questioned by Fitch and Oppenheimer, who argue that:

> Depreciation is a cost of fixed assets--a cost, not a gain. Depreciation can no more be used to finance expansion than other deductions from revenues, provisions for bad debts, fire loss, etc. The only internal funds that can be used for expansion are retained earnings. 24

If Fitch and Oppenheimer are correct, then Safarian's and Levitt's figures for internal source of funding are highly overestimated. Depreciation averaged 31% of internal funds from 1957-1964, according to their figures. If one discounts depreciation, this would mean a greater reliance on external funds, whether from the U.S. parent or other Canadian sources. There is some indication that there is increasing reliance on external funding. A front page article in the Financial Post in 1972 proclaimed that "Canadian firms came to the financing market for their biggest chunk of bond money in history--nearly $2,000 million (gross)."[25] This included such large foreign owned corporation such as Imperial Oil, which came for $50 million.

Control, as noted previously, can be acquired not only through ownership, but by holding the debt of the corporation. If foreign subsidiaries are, in fact, more reliant on outside sources of funding than supposed, and if the amount of financing from the United States parent is steadily decreasing, then there is a possibility of a Canadian banking group gaining some measure of power or influence. However, because of lack of further data, this question remains an area of speculation.

With the exception of this possibility, power to control appears to be overwhelmingly in the hands of the parent corporation, rather than the Canadian interest group. The extent of foreign ownership of key sectors of the economy is striking. In 1970, 56.7% of the assets of all manufacturing corporations were corporations in which the majority of the voting shares were held by non-residents. The figures for oil and gas wells industry are 82.6%; for petroleum refining, 99.9%; metal mining industry, 42%; mining corporations, 60.6%; primary metals, 84.9%.[26] This leaves a greatly reduced "share of the economic pie" for Canadian interest groups and remains a serious threat to their independence.

Menshikov's discussion of the relationships between large industrial corporations and small local banks in the United States can be drawn upon to promote an understanding of the relationships between foreign multinational corporations and Canadian banks. Menshikov points out that a large number of small banks do business with the giant industrials, that these banks are subordinate to the financial groups to which the industrial corporations, in turn, belong.

> It is obvious that local bankers inevitably become dependent on industrial monopolies which "do them the honour" of keeping a small part of their money there and accepting their loans. The local bank is, of course, in no position to refuse a corporation credit or to control it in a purely financial way. 27

The industrial corporations become well acquainted with the local bank's affairs and make it possible for the financial groups controlling the corporations to also acquire extensive knowledge of, or, as Menshikov adds, even control of the local banks. The result is that the local banks "often quite unsuspectingly, fall under the supervision of monopolised bank capital and, ..., become junior partners of powerful bank (and financial) groups."[28]

"Junior partners" is a term which has been commonly used to describe the Canadian business world in comparison to the powerful economy in the United States. Of course, Canadian banks are by no means small helpless financial insitutions; this fact has been emphasized throughout the thesis. However, few of them could or would want to turn away the business of foreign multinationals, particularly when foreign companies comprise 56.7% of the assets of all manufacturing corporations in Canada.

Canadian banks have increasingly come under attack for being more willing to do business with foreign multinationals than with Canadian business. A recent example is the case of Great Northern Capital Corp. Ltd. of Toronto. R.H. McIsaac, president of the company, organized a syndicate of Canadian businessmen to buy the controlling shares that were up for sale but all of the Canadian banks refused to support the syndicate and even assistedthe British firm that eventually took over the company.[29]

In addition to this parallel with Menshikov's description, Canadian banks have become indirectly interlocked with the major financial groups in the United States. A number of Canadian bank directors sit on the multinational subsidiary's parent corporation's board of directors where they can easily intermingle with representatives of the banking section of the financial group who also have interlocking directorates with the corporation. Some of the bank directors even interlock directly with the American financial centers. For example, Henry S. Wingate of the Bank of Montreal is also a director of Morgan Guaranty Trust Co. of New York; John A. McDougald of the Canadian Imperial Bank of Commerce is on the advisory committee of the First National Bank in Palm Beach, Florida; and Edwin C. McDonald of the Royal Bank sits on the advisory committee of the Bankers Trust Co. of New York.[30] It is unlikely that the American interest groups control the Canadian banks because of their Canadian ownership but the Canadian banks are undoubtedly influenced by their American counterparts, because of these connections.

A final parallel rests in the fact that Canadian banks, like local banks in the United States, are not in the position to control the multinational corporations. The main reason for this is simply lack of ownership, a point which was dealt upon previously.

Examining the evidence, one must conclude that the Canadian interest group, in regard to foreign multinational subsidiaries, is definitely a junior partner, when it comes to influence and control over these corporations. However, regardless of status in comparison to American interest groups, the important fact is that banking interest groups in Canada do have ties with specific foreign multinationals. If the multinationals do not belong within a Canadian interest group, at least they have alliances with the Canadian groups. This has been borne out by the extent of interlocking directorates, use of the same transfer agent and/or bond trustee, and by the historical continuity of these ties.

Core Canadian Companies

The real core of the Canadian interest group, the companies that are most unconditionally assigned to the interest group, are indigenous Canadian corporations. Leo Johnson has argued that those sectors of the Canadian economy which set up cartels before the onslaught of United States investment and monopoly, have remained independent of United States control.[31] Examples of these sectors are beverages, construction, banking, iron and steel production.

These companies are most closely allied to the main banks. For example, Molson Industries is interlocked with the Bank of Montreal; one of the interlocking directors is the Hon. Hartland de M. Molson, a member of the Molson family that controls the corporation; and both the Bank of Montreal and Molson Industries use Royal Trust as a bond trustee and transfer agent. Burns Foods is interlocked with the Royal Bank; R.H. Webster who owns 41% of Burns Foods is a brother to Colin W. Webster[32] who is on the board of directors of the Royal Bank; and both the Royal Bank and Burns Foods use Montreal Trust as either transfer agent or bond trustee. Distillers Corporation-Seagrams is interlocked with the Bank of Montreal; one of the interlocks is Charles R. Bronfman, member of the Bronfman family that controls the corporation; and both the Bank of Montreal and Distillers Corporation-Seagrams use Royal Trust as transfer agent and bond trustee. A final example is Argus Corporation which is shared between the Royal Bank and the Canadian Imperial Bank of Commerce. In this case, Argus is more strongly linked by directorates to the Canadian Imperial Bank of Commerce, but E.P. Taylor who controls Argus, sits on the Royal Bank board of directors. Argus uses both Montreal Trust, associated with the Royal Bank, and National Trust, associated with Canadian Imperial Bank of Commerce, as transfer agent and bond trustee.

These corporations are closely tied, but, again, it must be noted that there are no direct ownership bonds between the banks and the corporations in the group, to my knowledge. Bank ownership and administration of corporate shares held in trust are obscured by secrecy, but in the corporations just mentioned, control is known to rest with specific families or individuals, so that any bank ownership would be minority non-controlling shares. In addition, ownership of the banks themselves is unknown so it is impossible to determine whether the families or individuals who control the corporations also control the banks.

The Canadian corporations are, however, directly interlocked through ownership ties to each other, with the exception of the long established family firms such as T. Eaton's and the Bronfman's Distillers Corporation-Seagrams Ltd., which have remained essentially private companies and within the control of the families.

Summary

In this chapter, the results from the three measures of interest grouping were combined and final interest groups were assigned on the basis of this information. A comparison of these groups with those described by the Parks indicated considerable continuity, but also a fair number of shared corporations.

Next the question of allegiance of American multinationals was discussed. Although multinational subsidiaries were often closely linked to Canadian interest groups, their ownership and, therefore, control, make them answerable to the American parent corporation. This means that quite a large proportion of the economy cannot be controlled by Canadian interest groups.

Finally, it was noted that the real core of the interest group are those corporations which are Canadian owned. These are the corporations most closely tied to the interest groups.

Footnotes
Chapter Three

1. I was unable to assign three of the companies because of lack of data available about them.

2. L.C. and F.W. Park, Anatomy of Big Business, (Toronto: Progress Books, 1962), p. 81.

3. Globe and Mail, March 10, 1972, p. B10.

4. Victor Perlo, The Empire of High Finance, (New York: International Publishers, 1957), pp. 140-141.

5. Financial Post, January 15, 1972, p. 27.

6. I.A. Litvak, C.J. Maule, R.D. Robinson, Dual Loyalty, (Toronto: McGraw-Hill Company of Canada Limited, 1971), p. 83.

7. Financial Post, op. cit.

8. Globe and Mail, February 17, 1972, p. B2.

9. John Porter, The Vertical Mosaic, (Toronto: University of Toronto Press, 1965), p. 169.

10. Financial Post, February 26, 1972, p. 1.

11. Litvak, Maule, Robinson, op. cit., p. 115.

12. Financial Post, op. cit.

13. A.E. Safarian, Foreign Ownership of Canadian Industry, (Toronto: McGraw-Hill Company of Canada Limited, 1966), pp. 88-89.

14. Op. cit., p. 86.

15. Ibid.

16. A.E. Safarian, The Performance of Foreign-Owned Firms in Canada, (Canadian-American Committee, 1969), p. 17.

17. Litvak, Maule, and Robinson, op. cit., p. 140.

18. The Canadian Forum editors, A Citizen's Guide to The Gray Report, (Toronto: New Press, 1971), p. 59.

19. Safarian, The Performance of Foreign-Owned Firms in Canada, p. 30.

20. Litvak, Maule, and Robinson, _op. cit._, p. 69.

21. Safarian, _op. cit._

22. Litvak, Maule, and Robinson, _op. cit._, pp. 24-25.

23. Safarian, _Foreign Ownership of Canadian Industry_, p. 235.

24. Robert Fitch and Mary Oppenheimer, "Who Rules the Corporations?", _The Socialist Revolution_, Vol. 1, No. 5, p. 69.

25. _Financial Post_, February 5, 1972, p. 1.

26. Litvak, Maule, and Robinson, _op. cit._, p. 10.

27. S. Menshikov, _Millionaires and Managers_, (Moscow: Progress Publishers, 1969), p. 179.

28. _Ibid._

29. _Globe and Mail_, June 1, 1973, p. B11.

30. _The Directory of Directors_, (Toronto: The Financial Post, 1971), pp. 589, 367-368, and 367 respectively.

31. This idea was presented by Leo Johnson of the University of Waterloo in a guest lecture at McMaster University in the winter of 1973.

32. _The Canadian Who's Who_, (Toronto: Who's Who Canadian Publication, Vol. XI, 1967-69), p. 1136.

Conclusions

At the beginning of Chapter Three, it was stated that by combining the three measures, it was possible to formulate interest groups in the Canadian economy and the groups were shown diagramatically. Since then, two major drawbacks have been encountered and a third must be reconsidered. First of all, control of over half of the manufacturing sector lies in foreign hands. The percentage of foreign control of natural resources is even greater. These are important sectors of the economy which are not under the direct control of Canadians and therefore not directly available to a Canadian interest group.

Secondly, lack of ownership data for the banks makes it difficult to determine whether the banks and corporations which are linked by other measures are also tied by common control due to ownership or whether they remain separately owned entities.

Thirdly, there is the issue of the large number of corporations in the sample which were found to be shared between the groups and the shifts which have occurred from the time of the Parks' study to the present time. These shifts can be interpreted as an indication of the amount of competition and conflict that the interest group engenders. The Parks noted this phenomena, specifically in regard to the pulp and paper industry.

> Expansion in the industry...has been reflected in intense rivalry between financial groups and among the individual tycoons involved, and has produced a situation in which relationships are fluid and mergers and re-organizations numerous. [1]

The interest group was discussed in the first chapter as a type of division which would create lines of conflict. This seems to be true of the Canadian case in that there is great rivalry, for example, between the banks for a company's allegiance. Peter C. Newman, as previously mentioned, discusses the excitement and dismay in the business world when the Canadian Imperial Bank of Commerce captured the account of John Labatts Ltd. from the Bank of Nova Scotia.

The shifting could also be interpreted, however, as indicating that there are simply changing alliances among a number of corporations and financial institutions not necessarily associated in the form of an interest group. This view, in addition to an emphasis on the shared aspect of banking and corporate ties, could lead one to conclude that financial institutions and industrial corporations form one all-encompassing "interest group," an interpretation which would, in effect, negate the significance of interest groups.

In the face of these drawbacks, it becomes necessary to ask the question once again. Is it possible to state that Canada has interest groups? As a result of these conditions, it would certainly be inaccurate to argue that Canadian interest groups are clearly distinct, tightly knit, controlled groups of banks, financial institutions, and corporations. However, I think there is sufficient evidence to warrant a reaffirmation of the existence of interest groups, if the concept is interpreted as being a loose alliance of financial institutions and industrial corporations. There are four factors supporting this position.

First, while it is true that Canadian interest groups do not control multinational corporations and therefore important sectors of the economy, they are not completely dissociated from the multinationals. Chapter Three pointed out some of the close ties that are maintained between the banks and multinational subsidiaries. The Canadian interest groups profit from this association even though they do not dominate it. The fact that Canadian interest groups do not control these corporations or these sectors of the economy does not deny their existence; it merely comments upon the extent of their power or strength within the economy.

Secondly, the comparison of the Parks' study of interest groups with the present study revealed considerable agreement upon which corporations were associated with which banks. There was a stable core group of 9-10 corporations within each of the big three financial groups. Although there was a marked degree of shifting, total shifts of a corporation from one group to another was rare. Witness the manner in which Newman describes the act of switching affiliations: "Whenever a bank captures a major account from a competitor..., it's an event that shakes the business world."[2] Therefore there is an impressive amount of continuity within and division into discernible groups.

Thirdly, the results derived from determining the choice of transfer agents and/or bond trustees by the corporations assigned to groups according to interlocking directorates indicated group patterns of usage. The Bank of Montreal group and the Royal Bank group were particularly cohesive in this regard, 73% of the Bank of Montreal group using Royal Trust of the Bank of Montreal Trust and 86% of the Royal Bank using Montreal Trust or Royal Bank of Canada Trust.

Finally, the lack of ownership data handicaps drawing conclusions about cohesion of interest groups but again is not sufficient to negate their existence. A considerable number of corporations within Canadian interest groups are tied by ownership, for example, the Canadian Pacific complex within the Bank of Montreal group. There is also some interlocking ownership between certain of the corporations and the banks, for example, Power Corporation's 4.1% of the Royal Bank. In addition, there is a percentage of ownership held by certain individuals in both a bank and corporations, such as E.P. Taylor and Charles Bronfman, who being bank board directors, are required to have a minimum amount of bank stock. Their actual holdings are not known. So the Canadian interest groups are not without ownership ties, but whether these are controlling ties or not is impossible to ascertain. Chapter One, however, stated that one of the basic characteristics of interest groups is their loose structure of control and influence. Interlocking ownership reinforces ties but is not an absolute prerequisite for interest groupings. Therefore, although it is not possible to say that Canadian interest groups control any of the corporations or financial institutions within them, control in the sense of being able to force unwilling action, it is possible to say that interest groups, spheres of influence, do exist within the Canadian economy.

Chapter One noted that interest groups compete with each other for unaffiliated companies, markets, etc. This creates a possible basis of division within the upper class because, as mentioned previously, it is largely the upper class that owns the corporations. However, social scientists in both the United States and Canada stress the overriding cohesion within the upper class. Thus Domhoff comments:

> Although this national upper class has its... antagonisms, it is nonetheless closely knit by such institutions as stock ownership, trust funds, intermarriages, private schools, exclusive city clubs, exclusive summer resorts, debutante parties, fox hunts, charity drives, and last but not least corporation boards. [3]

The same cohesion seems to be true of the Canadian upper class as well. Peter C. Newman discusses the binding function that exclusive schools and clubs play for the Canadian upper class. Exclusive schools provide the initial contacts with other members of the upper class which prove important in later life. According to Newman, "Almost one third of Canada's hundred most influential company directors are private-school graduates--half of them from Upper Canada College in Toronto."[4]

Further findings indicate that today's upper class lives in a modestly rich style in comparison to the flamboyent style of the old rich in Canada. One tradition has not been discarded, however, that of the social club. Strictly supervised admission allows the clubs to remain the bastion of the upper class.

Newman lists seven clubs in Montreal and Toronto, along with four other regional clubs, as being the upper class meeting grounds.[5]

John Porter, like Hugh Watt McCollum as discussed in the Introduction, found the economic elite to be almost exclusively British in origin. Mobility into the elite is negligible and Porter comments that there is some evidence to indicate that "mobility into the elite without the initial advantage that comes from a higher class position is becoming more difficult."[6]

Porter found that the member of the economic elite received a strikingly high percentage of private school education and, like Newman, recognized the importance of Upper Canada College. He also agreed that clubs were an important aspect of class solidarity and listed, with few exceptions, the same clubs as Newman.[7] Porter concluded that the economic elite is further unified because of participation in these institutions.

> Frequency of interaction, homogeneity in social background, and class continuity all lead to common outlook and common attitudes and values about the social system and the place of corporate enterprise in it. [8]

Although the upper class is primarily cohesive and unfied, it has become apparent throughout the thesis, that there are two sectors within the Canadian upper class or bourgeoisie. The one group is composed of the managers of foreign multinational subsidiaries; the other group is the owners of indigenous

Canadian corporations.

There is some debate about whether the first group, the Canadian managers of foreign subsidiaries, can be classified as being part of the Canadian bourgeoisie. D. Drache, in the following passage, does not separate the bourgeoisie into the two sectors, but his statement refers largely to the first group.

> The term normally refers to the owners of the means of production who form the governing class. The Canadian bourgeoisie own a fraction of the means of production and retain control of a minority of the country's resources. More correctly, they are part owners and more frequently the national managers and agents of the owners of the means of production. 9

Drache continues to use the term bourgeoisie, however, by broadening it to mean not only owners, but also agents and representatives of owners. It seems reasonable to do this because, for example, although W.O. Twaits cannot be said to control Imperial Oil, his position within that corporation has granted him a great deal of power and influence. In addition, because of corporate benefits such as stock options and bonuses, it is unlikely that Twaits or others in a similar position, are entirely non-owners.

R.T. Naylor argues that the split, which has existed since the early days of confederation, is due to a division between the Canadian merchant-capitalists and the Canadian industrial-capitalists.

> The greatest contradiction among the strata of the bourgeoisie appears between the industrial-capitalist entrepreneur and the merchantile-financial entrepreneur. The first operates in the sphere of production;

> the second, in distribution. Thus the maximization of the merchantile surplus will minimize the industrial surplus. 10

According to Naylor, the Canadian merchant class, with its areas of banking and finance, transportation, communications, and utilities, has always dominated the Canadian industrialist class, with the end result of the industrial bourgeoisie being relegated to manage branch plants while the merchantile dominated areas remain Canadian owned with the protection of the government. Naylor states, however, that "the independent sector of the Canadian bourgeoisie, largely the descendants of merchant capital, is small in relation to the total. Control of the Canadian economy lies overwhelmingly with the branch plant group."[11]

The division of the upper class into these two sections has been reflected in this thesis in the discussion of whether the Canadian upper class and its economic interests are subordinate junior partners or competitors in their own right. Leo Johnson has commented that, although it is often argued that Canadian capitalists are merely servants of American capitalism, the relationship is more complex than that.

Johnson suggests that there are three groups of Canadian capitalists.[12] First, there are a few capitalists who have few or no ties to foreign capital or business activities. These, however, are rapidly swallowed up by the other two groups. Secondly, the majority are involved in American multinational corporate business either as "independent" suppliers and distributors, or as managers of branch plants. Thirdly is the minority who are multinationalists themselves.

The second group, the managers, or the industrial capitalists according to Naylor, are clearly junior partners. Drache argues that this bourgeoisie never considered being equal or rival to other industrial countries but has sought to be subordinate in order to share in the profits. In many cases, managers are former members of the first group, owners of Canadian corporations, but who since have sold out to American interests to become part of the management of the larger American corporations.

It is not so clear, however, that the groups of Canadian capitalists who have progressed to the stage of multinational status are junior partners. These Canadian corporations have carved out their areas of strength and are world competitors.

A specific example of a Canadian company that has made it big, independent of American capital, is Stelco. Stelco has been lauded by Forbes magazine as being "the most profitable large North American steel maker."[13] It has an annual 11% return on stockholders' equity and an 8.5% after tax earning on the sales dollar. This is a profitability unparalleled by any other steel company; in fact, it is almost twice as profitable as its average American counterpart. Stelco produces about 40% of Canada's steel and exports to more than 50 countries.[14] The company maintains sales offices in Europe and South America.

The Canadian banks, as previously discussed, are also world wide concerns. One indication of their strength and competitiveness is that the Canadian bankers are growing increasingly impatient with the Bank Act which restricts significant foreign ownership of Canadian banks. J. Leonard Walker, president of the Bank of Montreal, states that these restrictions are "misguided and counterproductive."[15] His opposition is based on the following position:

> If further restrictions were placed on foreign participation in Canadian banks, Walker said, other countries might stiffen their rules against the direct participation of Canadian banks in their jurisdictions. [16]

The threat of retribution is a powerful one, considering that Canadian banks now have branches in the Carribean, Great Britain, West Germany, France, Latin America, United States, and are presently pushing into Asia.

A comparison of the Canadian capitalists' combined power and influence to that of their American counterparts reveals that they are not as sweepingly powerful. They could, therefore, be labelled "junior partners" as well as the managers, however, one must keep in mind the differences between these groups and consequently, the differences in their power. The power of the managers, although they control a larger proportion of the economy than the Canadian owners, is more conditionally granted to them than the Canadian owners' power. The Canadian owners have remained both competitors and cooperators; the Canadian managers solely cooperators.

Although there are two divisions within the upper class, as in the case of competing interest groups, the cohesion within the upper class must be emphasized. Canadian managers and owners are not two distinct, autonomous groups, rather they intermingle constantly in the interest groups, as can be seen in the range of companies, both Canadian and American, which are connected within the interest groups. Both sections of the bourgeoisie have one characteristic--they have gone beyond national loyalties to develop an internationalist ideology and affiliation.

The Canadian managers of foreign branch plants have evidenced this characteristic in their willingness to sell out their Canadian corporations to become part of the American multinationals but the Canadian owners have also crossed national boundaries. The two examples cited above of Stelco and the Canadian banks show how the Canadian multinationals have expanded into world markets. Naylor discusses the phenomena of Canadian "quasi-imperialism," and the Canadian bourgeoisie's "desire to build a foreign corporate empire of its own."[17] Canadian banks, the Canadian Pacific Railway, insurance companies, and utility companies have historically been involved in the West Indies, the Far East, and South America.

They have often joined other capitalist countries in their efforts toward an international empire. Johnson mention Orion, a group of financial corporations owned by American, British, German, and Canadian banking interests for the purpose of financing and managing development of multinationals in the Third World.[18] Canadian capitalists are also involved in Adela Investments, another joint venture headed by the Wallenberg interest group of Sweden, which finances expansion in Latin

America.[19]

There are not only economic ties to cement international relationships but social ties as well.[20] Many of the Canadian upper class members either have gone to foreign schools, belong to foreign clubs, or have married foreign upper class women. For example, Harold Foley, although born in the United States, became a Canadian citizen in 1946. He has degrees from both American and Canadian universities--University of Notre Dame, University of British Columbia, and St. Mary's University. He belongs to both American and Canadian social clubs, including Mount Royal, listed by Newman and Porter as an exclusive elite club, and the Ranier Club, listed by Domhoff as an upper class club in the United States. His present corporate positions include vice chairman and director of Macmillan Bloedel & Powell River Ltd., director of the Bank of Montreal and Great West Life Assurance (owned by Power Corporation).

E.P. Taylor also has international connections. His club memberships span four countries, Canada, England, United States, and the Bahamas. He has homes in three of those countries. His corporate positions include the Royal Bank, Argus, Domtar, Massey-Ferguson, and Dominion Stores.

Searle Leach, vice president and director of Federal Industries, Bank of Montreal and Great West Life Assurance, is an example of the patronising of foreign elite schools. Although Leach was born in Winnipeg, he received his education at Shattuck School in Faribault, Minnesota, which Domhoff lits as an upper class school. Leach went on to Dartmouth College and Oxford University for further education.

Intermarriage is also an indication of the growing internationalism of the Canadian upper class. Perhaps the most outstanding example of this is Edgar Bronfman, son of Samuel Bronfman, the founder of Distillers-Corporation Seagrams Ltd., and his marriage to Ann Loeb, daughter of John Loeb of New York. The Loebs were cited in Paul Sweezy's 1935 study of interest groups in the American economy as an independent interest group. Since then they have declined in importance and are now affiliated with the larger Rockefeller interest group. One corporate firm of the Loebs does not have connections with the Bronfman capital, nevertheless one of the firm's partners commented "'He's a kind of partner who is awfully important.'"[21] The Bronfmans have joined other Loeb holdings, "to make up the largest single holding of stock in New York's Empire Trust Company, which has assets of some $300 million," and Edgar Bronfman now sits on Empire Trust's board of directors.[22]

The development of internationalism is not a strictly Canadian phenomena. Johnson states:

> The process of consolidation of capitalism is very far advanced, but on a multinational, not a national, basis. The huge American, British, German, French, and Japanese capitalists structures all reach into Canada, while a few equally powerful capitalist structures originating in Canada reach into other countries. 23

Just as the process of concentration facilitated the development of national interest groups, so will the same process encourage international agreements among these groups. Capitalists remain the true internationalists--national interests come second to profits.

> The capitalists divide the world...because the degree of concentration which has been reached forces them to adopt this method in order to obtain profits. 24

The dynamic between cohesion and conflict will be repeated on an international level. Hopefully, the study of national interest groups will promote understanding of the development of international interest groups.

Footnotes

1. L.C. and F.W. Park, Anatomy of Big Business, (Toronto: Progress Books, 1962), p. 111.

2. Peter C. Newman, "The Bankers," Macleans, Vol. 85, No. 3, March, 1972, p. 78.

3. G. William Domhoff, Who Rules America? (New Jersey: Prentice-Hall, Inc., 1967), p. 4.

4. Peter C. Newman, "Canada's Biggest Big Businessmen," Macleans, October 12, 1957, p. 94.

5. Op. cit., p. 96, Newman mentions the Halifax Club, the St. James's, Mount Stephen and Mount Royal in Montreal, the York, Toronto, and National Club in Toronto; the Garrison in Quebec City; the Manitoba in Winnipeg; the Ranchman's in Calgary; and the Vancouver Club.

6. John Porter, The Vertical Mosaic, (Toronto: University of Toronto Press, 1965), p. 293.

7. Porter lists Mount Royal and St. James's for Montreal; the York, Toronto, and National Clubs for Toronto; the Garrison for Quebec City; the Manitoba for Winnipeg; the Ranchman's in Calgary; the Vancouver Club; and the Rideau in Ottawa, pp. 304-305.

8. Op. cit., p. 305.

9. D. Drache, "The Canadian bourgeoisie and its national consciousness," Close the 49th Parallel, ed. Ian Lumsden, (Toronto: University of Toronto Press, 1970), p. 4.

10. R.T. Naylor, "The rise and fall of the third commercial empire of the St. Lawrence," Capitalism and the National Question in Canada, ed. Gary Teeple, (Toronto: University of Toronto Press, 1972), 3.

11. Op. cit., p. 33.

12. Leo Johnson, "The development of class in Canada in the twentieth century," Teeple, op.cit., p. 159.

13. Forbes, Vol. 108, No. 8, October 15, 1971,p. 44.

14. Moody's Industrial Manual, Vol. 2, 1973, p. 3729.

15. Financial Post, June 17, 1972, p. 13.

16. Ibid.

17. Naylor, *op. cit.*, p. 34.

18. Johnson, *op. cit.*, pp. 159-160.

19. *Business Week*, "The Wallenberg Boys'--And How They Grew," February 25, 1967, p. 117.

20. The following information is derived from *The Canadian Who's Who*, *Who's Who in Canada*, and *The Financial Post Directory of Directors*.

21. Stephen Birmingham, "*Our Crowd*", (New York: Dell Publishing Co., Inc., 1967), p. 445.

22. *Ibid.*

23. Johnson, *op. cit.*, p. 162.

24. V.I. Lenin, *Imperialism, The Highest Stage of Capitalism*, (Peking: Foreign Languages Press, 1969), p. 88.

APPENDIX I

A list of 45 industrial corporations and 19 financial corporations were checked for interlocking directorates with the five major Canadian banks. The industrial corporations were selected from the Financial Post's list of the top 100 industrial corporations and top 10 merchandizers in Canada.[1] See Table I.

The list was based on "the best available results for the fiscal year ended nearest to December 31, 1971."[2] Corporations are ranked according to amount of sales, net income, and assets. The list includes not only indigenous Canadian corporations but also a substantial number of Canadian subsidiaries of foreign corporations.

> This year's list of 100 companies includes 20 wholly owned subsidiaries of foreign corporations, 27 that are more than 50% owned by foreigners and another 14 in which there is substantial, sometimes controlling interest. 3

There are several drawbacks to the Financial Post list. First, not all of the large foreign subsidiaries are on the list. Some of the subsidiaries do not issue financial statements separate from that of their parent corporation and therefore information about their sales, assets, or net income was not available for inclusion on the list. Two examples of corporate subsidiaries that would probably have made the list if their financial statement was known are Kellogg Co. of Canada and Canadian International Paper Co.[4]

These were not included in the sample, because of lack of information.

Secondly, there were also a few indigenous Canadian corporations which were not mentioned because information was not available. One example of this is the T. Eaton Corporation, which does not have to report a financial statement because it is a provincially incorporated private company and does not come under the federal department of Consumer and Corporate Affairs, the source of the Financial Post list. The Financial Post article, however, notes this omission and estimates T. Eaton's sales for 1971 to be approximately $1,000 million.[5] On the basis of this estimate, I included T. Eaton's in the category of merchandizers.

The third limitation of the list is that wholly owned or controlled subsidiaries of Canadian companies, which could also qualify for the list, were not included. Examples are BACM Industries, owned by Genstar; Canadian Breweries, controlled by Rothman's of Pall Mall Canada Ltd.; Northern Electric, wholly owned by Bell Canada, and Canadian Pacific Airlines, owned by Canadian Pacific Ltd.[6] These wholly owned or controlled subsidiaries were not included in the sample. Interlocks between the bank boards and the subsidiaries of corporations that were included in the sample are counted as indirect interlocks and are noted as such in Appendix II.

Two corporations which were not included in the Financial Post list were deemed important enough to add -

Power Corporation Ltd. and Argus Corporation Ltd. Porter, the Parks and Ashley have all singled out Argus as an important corporation in the Canadian economic structure. Power Corporation has also been cited in Porter and the Parks. Porter comments that Power Corporation "has a significant role as an economic decision-maker."[7] Both Power Corporation and Argus Corporation were added to the category of management and holding companies, in accordance with their classification by the Financial Post Survey of Industrials.

The companies on the list of the top 100 industrials were next divided into categories of industrial specialization, as set out in the table of contents of the Financial Post Survey of Industrials. See Table II. The category of Iron and Steel was broken down into two separate groups - Iron and Steel, and Auto. When corporations were not listed in the Financial Post Survey of Industrials, they were classified by the description of their main business activity, as listed by Moody's Industrial Manual.

The companies were divided into industrial specialization groups because the Parks followed this procedure in their Table III, (pp. 239-242), which outlines interlocking between the banks and a group of the largest non-financial companies. A similar approach, it was decided, would simplify comparison. The size of the sample, however, was restricted by the scope of the thesis, therefore only the largest companies in each group were selected to compose the group of corporations to be checked for interlocking with the banks.[8] See Table III. These companies, because of their size and concentration, account for a sizeable percentage of the Canadian economy's total production. Various authors in the introduction were cited to document this phenomena. A heavier representation of corporations in Iron and Steel, Oils and Pipelines, Non-ferrous Metals, and Pulp and Paper categories were included in the sample because of the importance of these industrial specializations for the Canadian economy.

The list of financial corporations was also taken from the Financial Post article. See Table IV. The list of the top 25 financial institutions was broken down into the following categories: Banks, Trust Companies, Financial Companies, and Insurance Companies. The largest financial corporations from each of these areas were selected for the sample. See Table V.

I made one addition to the list of trust companies - that of Montreal Trust Co. Its listed assets according to Moody's Bank and Finance Manual are considerably less than that of the other trust companies on the Financial Post list. However Park and Park point out that:

> ...the Montreal Trust Co. does not include "assets under administration" in its balance sheet. It is more or less equal in size and importance to the Royal Trust Company. 9

On the basis of this information, Montreal Trust Company has been included on the list.

A list of the top 25 investment companies in Canada was obtained from Moody's Bank and Finance Manual, 1972. See

Table VI. These were then grouped under their managing company, according to information supplied by the Financial Post Survey of Funds. The top five investment companies are listed in Table VII and were included in the sample of financial companies.

FOOTNOTES

1. Phyllis Morgan, "Canada's top 100 club gets a lot of new members," Financial Post, August 5, 1972, p. 9.

2. Ibid.

3. Ibid.

4. Ibid.

5. Ibid.

6. Ibid.

7. John Porter, The Vertical Mosaic, (Toronto: University of Toronto Press, 1965), p. 258.

8. There were no companies selected from the categories of Data Processing, Textiles, or Miscellaneous because of the limited number of companies in these categories.

9. L.C. and F.W. Park, Anatomy of Big Business, (Toronto: Progress Books, 1962), p. 244.

TABLE I

CANADA'S TOP 100, 1971

	Rank by sales
Abitibi Paper Co. Ltd.	35
Alcan Aluminium Ltd.	5
Algoma Steel Corp. Ltd.	38
American Motors (Canada) Ltd.	87
Amoco Canada Petroleums Co. Ltd.	90
Anglo-Canadian Pulp and Paper Mills Ltd.	86
Anglo-Canadian Telephone Co.	42
BP Canada Ltd.	43
Bell Canada	3
Bombardier Ltd.	56
Brascan Ltd.	22
British Columbia Forest Products Ltd.	75
Burns Foods Ltd.	25
Canada Cement Lafarge Ltd.	65
Canada Packers Ltd.	10
Canada Steamship Lines Ltd.	72
Canadian Corporate Management Ltd.	83
Canadian Foundation Co. Ltd.	92
Canadian General Electric Co. Ltd.	18
Canadian Hydrocarbons Ltd.	97
Canadian Industries Ltd.	26
Canadian Johns-Manville Co. Ltd.	78
Canadian Pacific Ltd.	7
Canadian Utilities Ltd.	93
Canron Ltd.	47
Celanese Canada Ltd.	77
Chrysler Canada Ltd.	6
Coca-Cola Ltd.	89
Cominco Ltd.	40
Comstock International Ltd.	53
Consolidated Bathurst Ltd.	28
Consumer's Gas Co.	62
Continental Can Co. of Canada Ltd.	60
Crown Zellerbach Canada Ltd.	46
Distillers Corporation-Seagrams Ltd.	16
Dominion Bridge Co. Ltd.	44
Dominion Foundaries & Steel Ltd.	24
Dominion Textile Ltd.	50
Domtar Ltd.	17
Dow Chemical of Canada Ltd.	68
Du Pont of Canada Ltd.	45
Emco Ltd.	99
Ensite Ltd.	33

Table I continued

	Rank by sales
Falconbridge Nickel Mines Ltd.	66
Federal Grain Ltd.	41
Firestone Tire and Rubber Co. of Canada Ltd.	69
Ford Motor Co. of Canada	4
GSW Ltd.	95
General Foods Ltd.	57
General Motors of Canada Ltd.	1
Genstar Ltd.	37
Glengair Group Ltd.	80
Goodyear Tire & Rubber Co. of Canada Ltd.	53
Gulf Oil Canada Ltd.	13
Hawker Siddeley Canada Ltd.	64
Hudson's Bay Oil & Gas Co. Ltd.	100
Husky Oil Ltd.	54
IBM Canada Ltd.	21
Imasco Ltd.	31
Imperial Oil Ltd.	2
International Harvester Co. of Canada Ltd.	36
International Nickel Co. of Canada Ltd.	11
Interprovincial Pipe Line Co.	71
Irving Oil Co. Ltd.	59
Kodak Canada Ltd.	94
John Labatt Ltd.	29
Lever Brothers Ltd.	84
MacMillan Bloedel Ltd.	15
Maple Leaf Mills Ltd.	48
Massey-Ferguson Ltd.	9
Molson Industries Ltd.	34
Moore Corp. Ltd.	20
Robert Morse Corp. Ltd.	98
Neonex International Ltd.	70
Noranda Mines Ltd.	19
Northern & Central Gas Corp. Ltd.	51
Pacific Petroleums Ltd.	85
Ralph M. Parsons Co. Ltd.	76
Petrofina Canada Ltd.	52
Price Co. Ltd.	55
Proctor & Gamble Co. of Canada Ltd.	88
RCA Ltd.	74
Rio Algom Mines Ltd.	61
Robin Hood Multifoods Ltd.	91
Rothmans of Pall Mall Canada Ltd.	30
Shell Canada Ltd.	12
Silverwood Industries Ltd.	63
Southam Press Ltd.	82
Standard Brands Ltd.	81
Steel Co. of Canada Ltd.	14
Texaco Canada Ltd.	23
Thomson Newspapers Ltd.	79
TransCanada Pipelines Ltd.	32

Table I continued

	Rank by Sales
Union Carbide Canada Ltd.	49
Union Gas Co. of Canada Ltd.	73
Hiram Walker-Gooderham & Worts Ltd.	27
Weldwood of Canada Ltd.	67
Westcoast Transmission Co. Ltd.	96
Westinghouse Canada Ltd.	39
George Weston Ltd.	8

Source: "Canada's top 100 club gets a lot of new members," by Morgan, Phyllis, in The Financial Post, August 5, 1972, p. 9.

Top 10 Merchandizers

	Sales, $000
Loblaw Cos.	2,558,752
Dominion Stores Ltd.	953,739
Canada Safeway Ltd.	845,527
Steinberg's Ltd.	786,407
Simpson-Sears Ltd.	765,778
Hudson's Bay Co.	558,553
M. Loeb Ltd.	531,475
Oshawa Group Ltd.	490,381
Simpson's Ltd.	335,195
Woodward Stores Ltd.	320,068

Source: "Canada's top 100 club gets a lot of new members," by Morgan, Phyllis, in The Financial Post, August 5, 1972, p. 9.

TABLE II

CLASSIFICATION OF CORPORATIONS BY INDUSTRIAL SPECIALIZATIONS

Beverages	Source
Distillers Corporation-Seagrams Ltd.	Financial Post
John Labatt Ltd.	" "
Hiram Walker-Gooderham & Worts Ltd.	" "
Coca-Cola Ltd.	Moody's Manual
Chemicals	
Canadian Industries Ltd.	Financial Post
Union Carbide Canada Ltd.	" "
Goodyear Tire & Rubber Co. of Canada Ltd.	" "
Du Pont of Canada Ltd.	" "
Dow Chemical of Canada Ltd.	Moody's Manual
Firestone Tire & Rubber Co. of Canada Ltd.	" "
Celanese Canada Ltd.	Financial Post
Construction	
Canada Cement Lafarge Ltd.	" "
Emco Ltd.	" "
Canadian Foundation Co. Ltd.	" "
Electrical Equipment	
Canadian General Electric Co. Ltd.	" "
Westinghouse Canada Ltd.	" "
Printing and Publishing	
Southam Press Ltd.	" "
Thomson Newspapers Ltd.	" "

Table II continued

	Source
<u>Foodstuff and related products</u>	
Burns Foods Ltd.	Financial Post
Canada Packers Ltd.	" "
Maple Leaf Mills Ltd.	" "
Silverwood Industries Ltd.	" "
George Weston Ltd.	" "
General Foods Ltd.	" "
Standard Brands Ltd.	Moody's Manual
Robin Hood Multifoods Ltd.	" "
Proctor & Gamble Co. of Canada Ltd.	" "
Lever Brothers Ltd.	" "
<u>Transportation and Storage</u>	
Canadian Pacific Ltd.	Financial Post
Federal Grain Ltd.	" "
Canadian Steamship Lines Ltd.	" "
<u>Management & Holding</u>	
Canadian Corporate Management Ltd.	" "
Genstar Ltd.	" "
Glengair Group Ltd.	" "
Argus Corp. Ltd.	" "
Power Corp. Ltd.	" "
Molson Industries Ltd.	" "
Neonex International Ltd.	" "

Table II continued

	Source
Oils and Pipelines	
Canadian Hydrocarbons Ltd.	Financial Post
Gulf Oil Canada Ltd.	" "
Husky Oil Ltd.	" "
Imperial Oil Ltd.	" "
Interprovincial Pipe Line Co.	" "
Irving Oil Co. Ltd.	" "
Petrofina Canada Ltd.	" "
Shell Canada Ltd.	" "
Texaco Canada Ltd.	" "
TransCanada Pipelines Ltd.	" "
Westcoast Transmission Co. Ltd.	" "
Amoco Canadian Petroleums Co. Ltd.	" "
BP Canada Ltd.	" "
Hudson's Bay Oil & Gas Co. Ltd.	" "
Pacific Petroleums Ltd.	" "
Nonferrous Metals	
Alcan Aluminium Ltd.	" "
Cominco Ltd.	" "
Falconbridge Nickel Mines Ltd.	" "
International Nickel Co. of Canada Ltd.	" "
Noranda Mines Ltd.	" "
Canadian Johns-Mansville Co. Ltd.	Moody's Manual

Table II continued

	Source
Iron and Steel	
Algoma Steel Corp. Ltd.	Financial Post
Bombardier Ltd.	" "
Canron Ltd.	" "
Continental Can Co. of Canada Ltd.	" "
Dominion Foundaries & Steel Ltd.	" "
Hawker Siddeley Canada Ltd.	" "
Massey-Ferguson Ltd.	" "
Rio Algom Mines Ltd.	" "
Robert Morse Corp. Ltd.	" "
Ralph M. Parsons Co. Ltd.	Moody's Manual
Steel Co. of Canada Ltd.	Financial Post
International Harvester Co. of Canada Ltd.	" "
GSW Ltd.	" "
Auto	
Chrysler Canada Ltd.	" "
American Motors (Canada) Ltd.	" "
Ford Motor Co. of Canada	" "
General Motors of Canada Ltd.	" "
Ensite Ltd.	Moody's Manual
Utilities	
Anglo-Canadian Telephone Co.	Financial Post
Bell Canada	" "
Brascan Ltd.	" "
Canadian Utilities Ltd.	" "

Table II continued

	Source
Utilities cont.	
Consumer's Gas Co.	Financial Post
Northern & Central Gas Corp. Ltd.	" "
Union Gas Co. of Canada Ltd.	" "
Pulp, Paper, Lumber	
Abitibi Paper Co. Ltd.	" "
Anglo-Canadian Pulp & Paper Mills Ltd.	" "
British Columbia Forest Products Ltd.	" "
Consolidated Bathurst Ltd.	" "
Crown Zellerbach Canada Ltd.	" "
Domtar Ltd.	" "
MacMillan Bloedel Ltd.	" "
Price Co. Ltd.	" "
Moore Corp. Ltd.	" "
Weldwood of Canada Ltd.	" "
Data Processing	
IBM Canada Ltd.	" "
Textiles	
Dominion Textile Ltd.	" "
Miscellaneous	
Imasco Ltd. (tobacco)	Moody's Manual
Rothman's of Pall Mall Canada Ltd.(tobacco)	" "
RCA Ltd. (electronic components)	" "
Kodak Canada Ltd. (photographic and optical materials)	" "

Table II continued

	Source
<u>Miscellaneous cont.</u>	
Comstock International Ltd. (information not available)	
<u>Merchandizers</u>	
Loblaw Cos.	Financial Post
T. Eaton Corp. Ltd.	" "
Dominion Stores Ltd.	" "

TABLE III

CORPORATIONS IN SAMPLE

<u>Beverages</u>

Distillers corporation-Seagrams Ltd.

John Labatt Ltd.

Hiram Walker-Gooderham & Worts Ltd.

<u>Chemicals</u>

Canadian Industries

Du Pont of Canada Ltd.

Union Carbide Canada Ltd.

<u>Construction</u>

Canada Cement Lafarge Ltd.

<u>Electrical Equipment</u>

Canadian General Electric Co. Ltd.

Westinghouse Canada Ltd.

<u>Printing and Publishing</u>

Southam Press Ltd.

Thomson Newspapers Ltd.

<u>Foodstuff and related products</u>

George Weston Ltd.

Canada Packers Ltd.

Burns Foods Ltd.

<u>Auto</u>

General Motors of Canada Ltd.

Chrysler Canada Ltd.

Ford Motor Co. of Canada

Table III continued

Iron and Steel

Massey-Ferguson Ltd.

Algoma Steel Corp. Ltd.

Steel Co. of Canada Ltd.

International Harvester Co. of Canada Ltd.

Dominion Foundaries & Steel Co. Ltd.

Nonferrous Metals

Alcan Aluminium Ltd.

International Nickel Co. of Canada Ltd.

Noranda Mines Ltd.

Pulp and Paper

MacMillan Bloedel Ltd.

Domtar Ltd.

Moore Corp. Ltd.

Consolidated Bathurst Ltd.

Management and Holding

Molson Industries Ltd.

Genstar Ltd.

Argus Corp. Ltd.

Power Corp. Ltd.

Transportation and Storage

Canadian Pacific Ltd.

Federal Grain Ltd.

Utilities

Brascan Ltd.

Bell Canada

Table III continued.

<u>Oils and Pipelines</u>

Imperial Oil Ltd.

Gulf Oil Canada Ltd.

Texaco Canada Ltd.

Shell Canada Ltd.

TransCanada Pipelines Ltd.

<u>Merchandizers</u>

Loblaw Cos.

T. Eaton Corp. Ltd.

Dominion Stores Ltd.

TABLE IV

TOP 25 IN FINANCE, 1971

Rank by Assets	Corporation
1.	Royal Bank of Canada
2.	Canadian Imperial Bank of Canada
3.	Bank of Montreal
4.	Bank of Nova Scotia
5.	Toronto Dominion Bank
6.	Sun Life Assurance Co. of Canada
7.	Banque Canadienne Nationale
8.	Manufacturers Life Insurance Co.
9.	Royal Trust
10.	London Life Insurance Co.
11.	Great-West Life Assurance Co.
12.	Canada Permanent Mortgage Corp.
13.	Huron & Erie Mortgage Corp.
14.	Banque Provincial du Canada
15.	Canada Life Assurance Co.
16.	Mutual Life Assurance Co. of Canada
17.	Industrial Acceptance Corp. (IAC)
18.	Confederation Life Association
19.	Crown Life Insurance Co.
20.	Guaranty Trust Co. of Canada
21.	North American Life Assurance Co.
22.	General Motors Acceptance Canada
23.	National Trust Co.
24.	Traders Group Ltd.
25.	Montreal City & District Savings Bank

Source: "Canada's top 100 club gets a lot of new members," by Phyllis Morgan in The Financial Post, August 5, 1952, p. 9.

TABLE V

FINANCIAL COMPANIES IN SAMPLE

<u>Banks</u>

Royal Bank of Canada

Canadian Imperial Bank of Commerce

Bank of Montreal

Bank of Nova Scotia

Toronto Dominion Bank

<u>Trust Companies</u>

Royal Trust

National Trust

Guaranty Trust

Montreal Trust

<u>Insurance Companies</u>

Sun Life Assurance

Manufacturers Life Insurance

London Life Insurance

Great West Life Assurance

Canada Life Assurance

<u>Financial Companies</u>

Canada Permanent Mortgage

Huron & Erie Mortgage Corp.

Industrial Acceptance Corp.

General Motors Acceptance Corp.

Traders Group.

TABLE VI

25 LARGEST INVESTMENT COMPANIES IN CANADA

		net assets, 1971 millions
1.	Investors Growth Fund of Canada Ltd.	$ 426.0
2.	Investors Mutual of Canada Ltd.	425.0
3.	United Accumulative Fund, Ltd.	297.8
4.	American Growth Fund Ltd.	237.1
5.	Argus Corporation Ltd.	177.7
6.	Canadian Investment Fund Ltd.	172.0
7.	Canadian General Investments Ltd.	98.6[1]
8.	Investors International Mutual Fund Ltd.	94.0
9.	Royal Trust Managed Funds	80.0
10.	United Corporations Ltd.	73.4
11.	United Venture Fund Ltd.	65.3
12.	Commonwealth International Corp. Ltd.	58.6
13.	All-Canadian Funds	56.6
14.	Canadian Gas & Energy Fund Ltd.	56.2
15.	Canada Trust Invest Funds (Equity & Fixed Inc.)	54.9
16.	Regent Growth Fund Ltd.	53.3
17.	Commonwealth International Leverage Fund Ltd.	43.7
18.	Mutual Accumulating Fund	41.5[2]
19.	All-Canadian Venture Fund	33.1
20.	Provident Mutual Fund Ltd.	33.0
21.	Savings & Invest Corp. Mutual Fd. of Canada Ltd.	32.9[3]
22.	Third Canadian General Investment Trust	32.8
23.	NW Growth Fund, Ltd.	32.4
24.	Regent Venture Fund Ltd.	30.8
25.	Growth Equity Fund, Ltd.	29.7

Assets are from Dec. 31, 1971, except [1]June 30, 1971. [2]Sept. 30, 1971. [3]Oct. 31, 1971.

Source: Moody's Bank & Finance Manual, 1972, p. a59.

TABLE VII

TOP FIVE INVESTMENT FUNDS GROUPED BY MANAGING COMPANIES

Investors Group

Investors Growth Fund of Canada Ltd.

Investors Mutual of Canada Ltd.

Investors International Mutual Fund Ltd.

Provident Mutual Fund Ltd.

United Financial Management Ltd.

United Accumulative Fund Ltd.

United Venture Fund Ltd.

AGF Management Ltd.

American Growth Fund Ltd.

Growth Equity Fund Ltd.

Transglobal Financial Services Ltd.

Regent Venture Fund Ltd.

Regent Growth Fund Ltd.

Commonwealth International Leverage Fund Ltd.

Commonwealth International Corp. Ltd.

Calvin Bullock group

Canadian Investment Fund Ltd.

Source: *Financial Post Survey of Funds*, 1972.

APPENDIX II

INTERLOCKING DIRECTORATES

Corporations	Banks: Montreal	Royal	Imperial-Commerce	Toronto Dominion	Nova Scotia
BEVERAGES					
Distillers-Corporation Seagrams Ltd.	I_4 X		X_1	I	
Hiram Walker-Gooderham				I $I_1 I^{1,2}$ X	
John Labatt Ltd.	X X	X	I I I_2 X_1 X_1 X_1 X_1 X_1		
CHEMICALS					
Canadian Industries	I $I^4 I_2$ X				
Du Pont of Canada Ltd.		I $I_{1,3}$		I I	
Union Carbide Canada Ltd.		I		I $I^{1,2}$ $I_1 O^{1,2}$ X X_2 X_1	
CONSTRUCTION					
Canada Cement Lafarge Ltd.	I^4 I_2	I	I I I^4		

Key

I - direct link
X - indirect link
O - link with parent of sample corporation
A - link with advisory board
1 - president
2 - chairman, vice-chairman, or deputy chairman
3 - chief executive officer
4 - vice-president
5 - member of executive committee
no number - director only

Subscripts to the lower right of the letter indicating type of tie, indicate the position of the director on the corporation. Numbers to the upper right of the letter indicate the position the director has on the bank.

Corporations	Banks: Montreal	Royal	Imperial-Commerce	Toronto Dominion	Nova Scotia
ELECTRICAL EQUIPMENT					
Canadian General Electric Co. Ltd.		I	I^4 $I_{2,3}$ X_2	I	
Westinghouse Canada Ltd.				I $I^{1,2}$ $I_{1,3}$	
FOODSTUFFS					
George Weston Ltd.			X X_4	X X X_4	
Canada Packers Ltd.			I_1^4 X^4		
Burns Foods Ltd.		I			
AUTOMOBILES					
General Motors of Canada Ltd.		$O^{1,2}$			
Chrysler Canada Ltd.					
Ford Motor Co. of Canada			I I^2 $I_{2,3}$		

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no number - director only

Subscripts to the lower right of the letter indicating type of tie, indicate the position of the director on the corporation. Numbers to the upper right of the letter indicate the position the director has on the bank.

Corporations	Banks: Montreal	Royal	Imperial-Commerce	Toronto Dominion	Nova Scotia
IRON AND STEEL					
Massey-Ferguson Ltd.		I_5 I	I^4 I $I_{1,3}$		
Steel Co. of Canada Ltd.	I I I_5	I	I	$I_{2,3}$	I
Dominion Foundaries & Steel Co. Ltd.		I	I^4 I^4		I $I_{1,3}$ X
International Harvester Co. of Canada Ltd.	I_1 X				
Algoma Steel Corp.Ltd.		$I^{1,2}$ $I_{1,3}$ I X X X_4		X X	
NONFERROUS METALS					
Alcan Aluminium Ltd.	I_1 I X				
International Nickel Co. of Canada	$I_5^{2,3}$ I I I_5 $I_{2,3}$ $O_{2,3}$ X_1		I I	$I^{1,2}$ $I_{1,5}$ $O_{1,5}$	
Noranda Mines	X X X^4	$I_{4,5}$ X X X X X X_2 X_2 X_2 X_2 X_4	I $I_{1,3}$ I^4 X X X X X X X X X X X X X X X_2 X^4 X^4 X^4 X^4 X_5 X_4 X_4 X_4		I_2 X X X X X

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Corporations	Banks				
	Montreal	Royal	Imperial-Commerce	Toronto Dominion	Nova Scotia
PRINTING & PUBLISHING					
Thomson Newspapers Ltd.		I I X X X X		$I_{1,2}$ O_1 X X X X X_1 X_1 X_1 X_1 X_1 X_1 X_1 X_1 X_1 X_1 X_2 X_4	
Southam Press	X_4	X			
UTILITIES					
Bell Canada	I I $I_{2,3}$ X_5	X X_5	I I I_1 X X	I I_4 X X X X	I^4 X
Brascan			I I^2 $I_{1,3}$	I I	I^4
TRANSPORTATION					
Canadian Pacific Ltd.	I I I I^4 $I^{2,3}$ $I_{2,3}$ X X X X X X X X X X X X X X_4 X_4 $X^{2,3}$ X^4 X_2	I $I^{1,2}$ $I_{1,3,5}$ X X X X X X X X_4 X_4 X_1 $X_{2,4}$ $X^{1,2}$	I I^4 X X	I X	I X_4 X_2 X_2
Federal Grain Ltd.	I_2^4 $I_{1,3}$ X X^4 X_2 X_1 X_1		X_4 X_4 X_4		I

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no number - director only

Subscripts to the lower right of the letter indicating type of tie, indicate the position the director has on the corporation. Numbers to the upper right of the letter indicate the position the director has on the bank.

Corporations	Banks				
	Montreal	Royal	Imperial-Commerce	Toronto Dominion	Nova Scotia
INSURANCE COMPANIES					
Sun Life Assurance	I I I I I^4 I_5 I_1 X_2 X_1	I I I	I I	I	
Manufacturers Life Insurance			I I	I I	
London Life Insurance				$I^{1,2}$ I_2	
Great West Life Assurance	I^4_4	$I^{2,4}$			
Canada Life Assurance	I		I I I^2 I^4_2 X_2 X	I	I $I^{2,3}$ I_4
FINANCIAL COMPANIES					
Canada Permanent Mortgage					
Huron & Erie Mortgage Corp.			I	A	
Industrial Acceptance Corp.		I I		I I	
General Motors Acceptance Corp.					
Traders Group	I^4				

Key

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O - link with parent of sample corporation
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1 - president
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3 - chief executive officer
4 - vice-president
5 - member of executive committee
no number - director only

Subscripts to the lower right of the letter indicating type of tie, indicate the position the director has on the corporation. Numbers to the upper right of the letter indicate the position the director has on the bank.

Corporations	Banks: Montreal	Royal	Imperial-Commerce	Toronto Dominion	Nova Scotia
INVESTMENT COMPANIES					
Investors Group					X X X
United Funds Management				X X X X X	$X^4 X^4 X^4$ X X X X X
AGF Management				$X^4 X^4$	
Transglobal Financial Services			X X X		
Canadian Investment Fund	I I $I^{2,3}$ X X X				
MERCHANDIZING					
Loblaw Cos.					
T. Eaton Corp. Ltd.	I_2 O^4 X X_2 X_2			O^4 O_4	
Dominion Stores Ltd.			I I^4 $I_{2,5}$		I

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no number - director only

Subscripts to the lower right of the letter indicating type of tie, indicate the position of the director of the corporation. Numbers to the upper right of the letter indicate the position the director has on the bank.

Corporations	Banks				
	Montreal	Royal	Imperial-Commerce	Toronto Dominion	Nova Scotia
PULP AND PAPER					
MacMillan Bloedel Ltd.	I	I	$I_{2,3}$ I		
Domtar Ltd.	I^{4} I X X X_{2}	I I $I_{1,2}$ X X_{2} X_{2}	I I_{5} I_{5} X X_{5}		
Moore Corp. Ltd.	I				I $I_{2,3}$ X X_{2} X_{2}
Consolidated Bathurst	$I_{5}^{2,3}$ I I X^{4} X	I I X^{4}		I	I
OILS AND PIPELINES					
Imperial Oil Ltd.		$I_{2,3}$ X X		X	X
Gulf Oil Canada Ltd.	I $X_{1,3}$		I I X	I I I_{2} O	I $I_{1,3}$ X_{4}
Texaco Canada Ltd.	I	I_{5} X	I^{4}		
Shell Canada Ltd.	O	X_{2}			
TransCanada Pipelines Ltd.	I	I I $I^{2,4}$	I^{2} $I_{2,3}$ X_{1}	I I	

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no number - director only

Subscripts to the lower right of the letter indicating type of tie, indicate the position the director has on the corporation. Numbers to the upper right of the letter indicating the type of tie, indicate the position the director has on the bank.

Corporations	Banks				
	Montreal	Royal	Imperial-Commerce	Toronto Dominion	Nova Scotia
MANAGEMENT AND HOLDING					
Molson Industries	I^4 I^4_2 I I			I I	$I_{1,3}$ X X_1 X_1
Genstar Ltd.		$I^{1,2}$ I_2		I X X X X_1	
Power Corporation	X X X X^4	$I^{1,2}$ I_2 X X X X X X X $X^{1,2}$ $X^{1,2}$ X_2	I	X X	X^4 X^4_2 X^4_2
Argus Corporation	I X X X	I I X X	I I I I_4 $I_{1,2}$ X X X X X X X X_1 X_1 X_1 X_1 X_2 X_2 $X_{4,5}$		
TRUST COMPANIES					
Royal Trust	A^4 A X X X_1			A	$A^{2,4,5}$ X_2
National Trust	X		A X		A A
Guaranty Trust					
Montreal Trust		I (A)	A	A	

Key

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4 - vice-president
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no number - director only

Subscripts to the lower right of the letter indicating type of tie, indicate the position the director has on the corporation. Numbers to the upper right of the letter indicating type of tie, indicate the position the director has on the bank.

APPENDIX III

INTERLOCKING OWNERSHIP

Reporting Corporation	Owner	%
Seco Investments	Cemp Investments	100.0
Distillers Corp. - Seagrams Ltd.	Seco Investments	38.5
Brascan Ltd.	Jonlab Investments[a]	10.5
John Labatt Ltd.	Brascan Ltd.[a]	32.0
Imperial Chemical Industries (Canada)	Imperial Chemical Industries (UK)	100.0
Canadian Industries Ltd.	Imperial Chemical Industries (Canada)	73.4
Du Pont of Canada Ltd.	Du Pont E.I. De Nemours & Co., Inc. (US)	74.9
Union Carbide Canada	Union Carbide Corp. (US)	51.0
" " "	Union Carbide International Capital Corp. (US)	24.0
Canada Cement Lafarge	Ciment Lafarge S.A. (WE)[a]	41.0
Canadian General Electric	General Electric Co. (US)	73.3
" " "	General Electric Overseas Capital Corp. (US)	18.6
Westinghouse Canada	Westinghouse Electric Corp. (US)	76.8
Wittington Investments	W. Garfield Weston Charitable Foundation	81.8
George Weston Ltd.	Wittington Investments	22.9
" " "	Gee & Co.	26.4
Perrin Investments	George Weston	100.0
Loblaw Companies	" "	10.8
" "	Perrin Investments	43.8
Burns Foods	Barlow & Co.	28.9
" "	R.H. Webster[a]	41.0

Appendix III continued

Reporting Corporation	Owner	%
General Motors Canada	General Motors Corp. (US)	100.0
General Motors Acceptance Corp. Canada	General Motors Acceptance Corp. (US)	100.0
Ford Motor Canada	Ford Motor Co. (US)	83.4
Chrysler Canada	Chrysler Corp. (US)	100.0
Canadian Pacific Investments	Canadian Pacific Ltd.	90.8
MacMillan Bloedel	Canadian Pacific Investments	10.3
" "	Wisconsin Corp. (US)	13.5
Mannesmann A.G. (WE)	Canadian Pacific Investments[d]	25.0
Mannesmann International Corp. Ltd.	Mannesmann A.G. (WE)	100.0
Algoma Steel Corp. Ltd.	Mannesmann International Corp. Ltd.	25.0
Canadian General Investments Ltd.	Canada Trust	12.2
" "	3rd. Canadian General Investment Trust	32.5
Ravelston Corp. Ltd.	Canadian General Investments	22.4
Argus Ltd.	Ravelston Corp. Ltd.	44.9
Rolyat Investments Ltd.	Rolyat S.A. (other)	100.0
Windfield Farms	" "	40.0
" "	Rolyat Investments Ltd.	60.0
Argus Ltd.	Windfield Farms	10.0
Shawnigan Industries	Power Corp. Ltd.	100.0
Argus Ltd.	Shawnigan Industries	10.4
Domtar Ltd.	Argus Corp. Ltd.	16.9
Dominion Stores	" " "	24.2
Massey Ferguson Ltd.	" " "	15.7
Imperial Oil Ltd.	Standard Oil Co. (NJ, US)	69.8
Shell Investments	Shell Petroleum N.V. (WE)	100.0
Shell Canada	Shell Investments	82.3
Gulf Oil Canada	Gulf Oil Corp. (US)	68.6
Texaco Canada Ltd.	Deutsche Texaco (US)	68.2

Appendix III continued

Reporting Corporation	Owner	%
Cygnus Corp. Ltd.	Rabsco Investment Ltd.	29.8
Home Oil Co. Ltd.	Cygnus Corp. Ltd.	38.9
TransCanada Pipelines Ltd.	Home Oil Co. Ltd.	15.6
Canadian Pacific Investments Ltd.	Canadian Pacific Ltd.	90.8
TransCanada Pipelines Ltd.	Canadian Pacific Investments Ltd.	16.7
D.P.H. Inc.	Nordex Ltd.	100.0
Mija Corp.	D.P.H. Inc.	100.0
Gelco Enterprises Ltd.	" "	75.2
" " "	Mija Corp.	18.1
Power Corp. Ltd.	Gelco Enterprises Ltd.[b]	50.0
" " "	Warnock Hersey International[b]	10.0
" " "	International Utilities Corporation (US)[b]	n.l.
Investors Group	Power Corp.[c]	50.2
" "	Bank of America (US)[b]	5.0
" "	Canadian Pacific Investments[e]	4.0
Montreal Trust	Investors Group[c]	51.0
" "	Royal Bank[b]	10.0
" "	Bank of America (US)[f]	20.0
Consolidated Bathurst	Power Corp. Ltd.[c]	36.4
" "	Montreal Trust	15.5
Imperial Life Assurance	Power Corp. Ltd.[b]	51.3
Investors Group	Imperial Life Assurance	13.8
Great West Life Assurance	Investors Group[b]	50.0
International Harvester Co. (Canada) Ltd.	International Harvester Co. (US)	100.0
Woodbridge Co. Ltd.	Thomson Corp. Ltd.	100.0
Thomson Newspapers Ltd.	Woodbridge Co. Ltd.	72.3
Searle Securities	Searle Consolidated Investments	33.6
Federal Grain Ltd.	Searle Securities	18.5
T. Eaton Co. Ltd.	Eaton's of Canada Ltd.	99.9
Malsham Corp. Ltd.	Molson Foundation	15.0
Molson Industries	Malsham Corp. Ltd.	19.3

Appendix III continued

Reporting Corporation	Owner	%
Industrial Acceptance Corp.	Gilbert Securities	11.0
Canadian General Securities	McLeod, Young, Weir & Co. Ltd.	10.0
" " "	Royal Trust Company	44.3
" " "	Arthur & Company	19.2
Traders Group	Canadian General Securities	80.9
United Funds Management	Wadell & Reed Inc. (US)	74.1
Canadian Investment Fund	Canadian National Railway Co.	15.4

Key

Source unless noted otherwise: Statistics Canada, Intercorporate Ownership, (Ottawa: Information Canada, 1971)

a - source: Financial Post Survey of Industrials, 1973

b - source: "Power corrupts, absolutely," Last Post, Vol. 2, No. 3, Dec.-Jan., 1971-1972, p. 16

c - source: Power Corporation Annual Report, 1972, p. 8

d - source: Financial Post, September 15, 1973, p. 3

e - source: Robert Chodos, The CPR: A Century of Corporate Welfare, (Toronto: James Lewis & Samuel, Publishers, 1973), p. 154

f - source: Financial Post, November 10, 1973, p.1

n.l. - not listed
US - United States
UK - United Kingdom
WE - Western Europe

APPENDIX IV

FINANCIAL INSTITUTIONAL STOCKHOLDINGS

The first table in this appendix indicates the amount of the two largest minority blocks of stock held by the sample financial institutions in the sample corporations for which no other ownership information is available. It is possible, in the absence of other blocks, that the financial institutions have some amount of influence on policy decisions. In some cases, the amount of ownership is quite small, for example, the Power Corporation-Investors Group's and Canadian Investment Fund's holdings of 1% and .4% of Bell Canada. However, other holdings are more substantial and therefore potentially more influential. A.A. Berle, as mentioned previously, when discussing the growing holdings of financial institutions in the United States, argued that the financial institutions could exercise a powerful choice in management of many corporations if they wished. To what extent this is true for the following corporations is difficult to determine due to lack of information about individual's stock holdings. The percentages in the table were arrived at by dividing the number of shares held by the financial company by the total number of outstanding common shares of the corporation involved.

The second table from the Financial Post shows the total financial institutional holdings of the banks, corporations, and financial institutions for which information was available. Some of the combined holdings are fairly impressive, for example, financial institutions held 17.3% of Dominion Foundaries & Steel Co. If some of the larger institutional investors are linked together through ownership or by association within an interest group, they could exert influence, perhaps even control the corporation. Even if this is not the case, their ownership represents a large market value, even the smallest block is worth almost a half a million dollars. A corporation would be reluctant to alienate institutional investors to the point of their selling and flooding the market. Therefore, the amount of institutional investment is an important factor in determining control and influence.

APPENDIX IV

FINANCIAL INSTITUTIONAL STOCK HOLDINGS

TABLE I

Corporation	No. of shares	%
Bank of Montreal		
Power-Investors Group*	761,091	2.2
Canadian Investment Fund	500,000	1.5
Bank of Nova Scotia		
Power-Investors Group	563,998	3.3
Canadian Investment Fund	139,000	.8
Canadian Imperial Commerce		
Power-Investors Group	1,768,025	5.1
Royal Trust	180,000	.5
Royal Bank		
Power-Investors Group	1,388,550	4.1
Canadian Investment Fund	300,000	.9
Toronto-Dominion		
Power-Investors Group	555,600	3.3
United Fund Management	130,000	.8
Alcan		
Power-Investors Group	349,201	1.1
Canadian Investment Fund	260,000	.8
Bell Canada		
Power-Investors Group	363,201	1.0
Canadian Investment Fund	150,000	.4
Canada Packers		
Canadian Investment Fund	150,000	2.5
National Trust	21,800	4
Canadian Pacific		
Power-Investors Group	1,970,500	2.7
Royal Trust	337,000	.5

Appendix IV, Table I continued

Corporation	No. of shares	%
Dominion Foundaries		
Power-Investors Group	1,073,070	6.9
Royal Trust	210,000	1.3
Genstar		
Transglobal Financial	111,700	1.2
Royal Trust	70,000	.8
Huron & Erie Mortgage		
Sun Life Assurance	30,000	.5
Canada Life Insurance	12,800	.2
International Nickel		
Power-Investors Group	849,987	1.1
Royal Trust	360,000	.5
Moore Corp.		
Power-Investors Group	1,143,725	4.0
Canadian Investment Fund	348,000	1.2
National Trust		
Manufacturers Life	10,000	.5
Noranda Mines		
Power-Investors	823,239	3.4
Royal Trust	166,000	.7
Royal Trust		
United Funds	112,000	1.1
Manufacturers Life	13,400	.1
Southam Press		
Royal Trust	68,000	.6
National Trust	14,000	.1
Steel Co. of Canada		
Power-Investors Group	1,090,619	4.4
Royal Trust	182,000	.7

Appendix IV, Table I continued

Corporation	No. of shares	%
Canada Perm. Mortgage		
United Funds	250,000	4.5
Manufacturers Life	30,000	.5

Key

* - abbreviated form for combined holdings of Power Corporation, Montreal Trust, Great West Life Assurance, Imperial Life Assurance and Investors Group, all of which are limited by ownership ties.

Source: Financial Post Survey of Funds, 1972, Chapter IX

TABLE II

FINANCIAL INSTITUTIONAL STOCK HOLDINGS

Corporation	no. of funds	no. of shares	mkt.value end of '72 $ million	% of o/s shares
Alcan Aluminum	79	2,014,975	45.8	6.1
Algoma Steel	17	766,485	10.3	6.6
Bank of Montreal	45	2,023,291	43.2	5.9
Bank of Nova Scotia	46	1,502,948	56.5	8.9
Bell Canada	61	1,002,494	44.6	2.7
Brascan	30	750,124	15.7	2.9
Burns Foods	10	175,700	3.3	6.9
Canada Cement Lafarge	9	84,450	4.9	2.2
Canada Packers	14	620,750	15.4	10.3
Canada Permanent Mortgage	15	449,700	11.1	6.3
Canadian General Electric	1	26,300	.8	.3
Canadian Imperial Bank of Commerce	90	3,685,434	113.3	10.6
Canadian Industries	12	365,400	5.5	3.7
Canadian Pacific	53	3,292,425	52.7	4.6
Consolidated Bathurst	11	243,000	4.1	4.0
Distillers Corporation-Seagrams	49	1,630,825	70.1	4.6
Dominion Foundaries & Steel	64	2,696,400	77.2	17.3
Dominion Stores	13	497,650	7.2	6.0
Domtar	35	977,600	17.8	6.6
DuPont Canada	15	333,025	10.3	4.2
Federal Industries	3	62,100	.5	1.8

Appendix IV, Table II continued

Corporation	no. of funds	no. of shares	mkt.value end of '72 $ million	% of o/s shares
Ford Canada	6	32,825	3.3	.4
Genstar	22	475,410	8.0	5.2
Great West Life	10	66,450	5.0	3.3
Guaranty Trust	4	29,000	.4	.6
Gulf Canada	59	1,734,890	69.4	3.8
Huron & Erie Mortgage	6	896,300	30.5	16.2
IAC	36	1,761,870	37.4	13.7
Imperial Oil	72	2,162,483	106.2	1.7
International Nickel	112	3,466,533	110.5	4.6
Investors Group	8	110,300	1.2	2.0
John Lablatt	20	750,047	22.5	8.3
Loblaw Cos. A	3	60,000	.4	1.8
London Life	3	9,100	.9	1.8
MacMillan Bloedel	48	1,664,670	41.6	8.0
Massey Ferguson	38	1,199,435	23.4	6.6
Molson Industries A	34	665,737	19.6	7.9
Montreal Trust	2	62,600	1.2	2.5
Moore Corporation	85	2,611,375	139.1	9.1
National Trust	5	53,000	2.4	2.8
Noranda Mines	67	1,786,827	74.4	7.3
Power Corporation	25	779,550	10.7	7.6
Royal Bank	82	3,142,700	116.7	9.4
Royal Trust	11	166,200	8.4	3.3
Shell Canada A	71	1,120,950	67.5	5.3

Appendix IV, Table II continued

Corporation	no. of funds	no. of shares	mkt.value end of '72 $ million	% of o/s shares
Southam Press	20	658,350	20.0	5.3
Steel Co. of Canada	90	2,808,354	104.3	11.4
Texaco Canada	30	353,970	20.9	3.6
Thomson Newspapers	29	2,914,250	39.0	5.9
Toronto Dominion Bank	50	1,596,073	55.1	9.4
Traders Group A	17	344,150	7.7	8.4
TransCanada Pipeline	55	1,084,913	47.7	12.4
Union Carbide Canada	5	73,600	1.2	.7
Hiram Walker-Gooderham & Worts	51	1,178,610	62.2	6.8
Westinghouse Canada	6	35,300	.9	1.3
George Weston	18	586,350	10.8	5.4

Source: Financial Post, July 7, 1973, p. 26

APPENDIX V

USE OF TRANSFER AGENT AND BOND TRUSTEE BY COMPANIES ASSIGNED TO BANKS ON BASIS OF INTERLOCKING DIRECTORATES

COMPANY	TRANSFER AGENT	TRUSTEE
Bank of Montreal	Royal Trust Bank of Montreal Trust(US)	Royal Trust
Distillers Corp-Seagrams Ltd.	Royal Trust Bankers Trust Co. (US)	Royal Trust Bankers Trust(US)
Canadian Industries	National Trust	Royal Trust
Consolidated Bathurst Ltd.	Royal Trust	Montreal Trust
Shell Canada	Royal Trust	Canada Permanent Trust
International Harvester Ltd.	n.l.	n.l.
Alcan Aluminium	National Trust Mellon National Bank & Trust (US) First National City Bank (US)	n.l.
Canadian Pacific	Royal Trust Bank of Montreal Trust(US)	Royal Trust National Trust Bank of Montreal Trust (US) Bankers Trust(US)
Steel Co. of Canada Ltd.	Montreal Trust	Royal Trust
Federal Grain	Montreal Trust	n.l.
International Nickel Co.	Bankers Trust (US) Canada Permanent Trust Royal Trust	National Trust Royal Trust Canada Permanent Trust Bank of New York (US)
Molson Industries	Royal Trust	Royal Trust
Traders Group	Guaranty Trust Bank of Montreal Trust(US)	Canada Trust
Royal Trust	Royal Trust	n.l.
Canadian Investment Fund	Royal Trust Charlottetown Trust Co. of N.J. (US)	n.l.

Appendix V continued

COMPANY	TRANSFER AGENT	TRUSTEE
Bank of Montreal cont.		
Sun Life Assurance	n.l.	n.l.
Canada Cement Lafarge	Montreal Trust	Montreal Trust
Domtar	Montreal Trust Bank of New York (US)	National Trust
Southam Press	Royal Trust	n.l.
T. Eaton	n.l.	n.l.
Great West Life Assurance	n.l.	n.l.
Bell Canada	co's offices	n.l.
Royal Bank	bank's offices	Montreal Trust
Du Pont of Canada	Montreal Trust	n.l.
Burns Foods	Montreal Trust	n.l.
General Motors (US parent information)	National Trust National Bank of Detroit(US) Wilmington Trust Co. (US) Continental Illinois National Bank & Trust Co. (US) Bank of America (US)	n.l.
Domtar Ltd.	Montreal Trust Bank of New York (US)	National Trust
Imperial Oil	Montreal Trust Bankers Trust Co (US)	Montreal Trust
Texaco Canada	Montreal Trust Co. Royal Bank of Canada Trust (US)	Montreal Trust
Algoma Steel	Montreal Trust Co Royal Bank of Canada Trust (US)	Montreal Trust
Power Corp.	Montreal Trust	Montreal Trust
Southam Press	Royal Trust	n.l.
Great West Life	n.l.	n.l.
Montreal Trust	Montreal Trust	n.l.
Genstar	Montreal Trust Morgan Guaranty Trust(US)	Montreal Trust

Appendix V continued

COMPANY	TRANSFER AGENT	TRUSTEE
Royal Bank cont.		
IAC	Montreal Trust Royal Trust Bank of New York Trust(US)	Montreal Trust Royal Trust National Trust
TransCanada Pipelines	Montreal Trust National Trust First National City Bank of New York (US)	Montreal Trust National Trust Crown Trust
Canadian Imperial Bank of Commerce	bank's offices	National Trust
Canadian General Electric	National Trust	n.l.
Canada Packers	Canada Permanent Trust	n.l.
Ford Motor Co. of Canada	Canada Trust Montreal Trust Manufacturers National Bank (US) Bank of Montreal Trust(US)	n.l.
Macmillan Bloedel	Royal Trust Canada Trust Chase Manhattan Bank (US)	Canada Trust
Massey Ferguson	National Trust Canada Permanent Trust Canadian Bank of Commerce Trust Co. (US)	n.l.
Noranda	Canada Permanent Trust Chase Manhattan Bank (US)	Crown Trust
Brascan	National Trust First National City Bank (US)	n.l.
Dominion Stores	Crown Trust Canada Permanent Trust Bankers Trust (US)	Crown Trust
Argus Corp.	National Trust Montreal Trust Canada Trust Marine Midland Grace Trust Co. of NY (US)	National Trust
Canada Life	n.l.	n.l.

Appendix V continued

COMPANY	TRANSFER AGENT	TRUSTEE
Canadian Imperial Bank of Commerce cont.		
Transglobal Financial Services	n.l.	n.l.
John Labatt	Canada Trust Canadian Imperial Bank of Commerce Trust (US)	Canada Trust
Domtar	Montreal Trust Bank of New York (US)	National Trust
Canada Cement Lafarge	Montreal Trust	Montreal Trust
George Weston	National Trust Detroit Bank & Trust Co.(US)	Canada Permanent Trust
Montreal Trust	Montreal Trust	n.l.
Bell Canada	co's offices	n.l.
Manufacturers Life	n.l.	n.l.
Huron & Erie Mortgage	co's offices	n.l.
TransCanada Pipelines	Montreal Trust National Trust First National City Bank of New York (US)	Montreal Trust National Trust Crown Trust
Toronto Dominion Bank	bank's offices	Canada Permanent Trust
Hiram Walker-Gooderham & Worts Ltd.	National Trust Bankers Trust (US)	n.l.
Union Carbide Canada	Canada Permanent Trust	Royal Trust
Westinghouse Canada	National Trust	Canada Permanent Trust
Gulf Oil Canada	Canada Permanent Trust Registrar & Transfer Co.(US)	Canada Permanent Trust
Thomson Newspapers	Montreal Trust	Montreal Trust
London Life	n.l.	n.l.
AGF Management	Guaranty Trust	n.l.
George Weston	National Trust Detroit Bank & Trust Co.(US)	Canada Permanent Trust

Appendix V continued

COMPANY	TRANSFER AGENT	TRUSTEE
<u>Toronto Dominion Bank cont.</u>		
T. Eaton	n.l.	n.l.
Montreal Trust	Montreal Trust	n.l.
Huron & Erie Mortgage	co's offices	n.l.
Genstar	Montreal Trust Morgan Guaranty Trust(US)	Montreal Trust
IAC	Montreal Trust Royal Trust Bank of New York (US)	Montreal Trust Royal Trust National Trust
Manufacturer's Life	n.l.	n.l.
Bell Canada	co's offices	n.l.
<u>Bank of Nova Scotia</u>	bank's offices	Canada Permanent Trust
Moore Corp.	National Trust Bankers Trust (US)	n.l.
Dominion Foundaries & Steel Corp.	National Trust Canada Permanent Trust Bank of Nova Scotia Trust Co. (US)	National Trust
United Funds Management	Canada Permanent Trust	n.l.
National Trust	National Trust	n.l.
Investors Group	Montreal Trust	n.l.

Source: <u>Financial Post Survey of Industrials</u>, 1973

<u>Financial Post Survey of Funds</u>, 1973

n.l. - not listed

US - United States

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