POWER AND PROPERTY -
THE OWNERSHIP AND CONTROL OF CANADIAN CORPORATIONS

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ABSTRACT

The thesis locates the Canadian economy, specifically Canadian controlled firms, within an important debate about the nature of corporate capitalist economies. In particular, the thesis responds to the argument that control of the modern corporation has passed to the hands of unpropertied, professional managers whose interests are distinct from those of the capitalist class and who have completely rearranged the direction of corporate policy.

It is suggested that the majority of Canadian controlled firms remain under the control of dominant shareowners. Furthermore, particular aspects of management controlled companies are drawn out and suggestions are presented about the nature, specifically the asset composition, of these firms.

Lastly, the thesis argues that the dispersion of share ownership coincides with a continued movement toward the centralization of corporate control. This movement is discussed in the final chapter.

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INTRODUCTION

Corporate Concentration and Private Power

Advanced capitalist societies are characterized by the presence of a relatively small number of large firms which dominate[1] the economies of these societies. In the same manner that these modern corporations bear little resemblance to the small producers typical of the competitive phase of capitalist development, corporate capitalism presents relations of power qualitatively distinct from those of predecessory economic stages. On the one hand, the concentration of productive assets within a few giant firms has centralized economic decision-making, or what C. Wright Mills has termed the 'means of power', within fewer hands. Second, the centralization of economic decision-making has been accompanied by the increased capacity of the firm to shape economic development, to submit to explicit decision the shaping of social structure in a manner which earlier small producers could not. Mills wrote of this condition:

> (I)n the classic model of the capitalist market, innumerable entrepreneurs and innumerable consumers by ten thousand decisions per minute shape and re-shape, in the longer run, the structure of the economy...But in those societies in which the means of power are enormous in scope and centralized in form a few men may be so placed that by their decisions about the use of these means they modify the structural conditions under which most men live. 2

Canada presents no exception to this tendency of capitalist development. While most of the literature discussing corporate concentration and consequent economic and social repercussions concerns the United States, the Canadian economy exhibits, in a majority of financial and industrial sectors, degrees of concentration which exceed those present in the U.S. Clement in The Canadian Corporate Elite demonstrates sector specific concentration levels and depicts the considerable degree to which particular sectors have become dominated by a few firms.[3] Table 1 provides a comparison between concentration levels for 116 manufacturing industries in Canada and the United States.

Table 1

Levels of Concentration for U.S. and Canadian Manufacturing Industries[4]

Number of Enterprises required to account for 80% of factory shipments	Canada (1965)				United States (1963)			
	Industries		Value of Shipments		Industries		Value of Shipments	
	No.	% of Total	$mil	% of Total	No.	% of Total	$mil	% of Total
Up to 4	24	20.69	8462	32.5	3	2.59	38941	13.6
4 to 8	22	18.97	2144	8.2	7	6.04	11964	4.2
8 to 20	23	19.83	4294	16.5	16	13.8	52986	18.5
20 to 50	20	17.24	4036	15.5	31	26.7	45127	15.6
over 50	27	23.27	7108	27.3	59	50.9	137228	49.5
	116	100.00*		100.0*	116	100.0*		100.0*

*Percentage will not total 100 due to rounding.

Corporate Power

The concentration of productive capacity within fewer firms has resulted in an extension of the limits of power of the large firm. While firms typical of competitive capitalism responded, as Mills noted, on a short-term basis to market conditions over which they exercised little control, the modern corporation is able to mobilize large amounts of capital and develop long-term strategies vis a vis market expansion, labour recruitment and technological innovation. The range of capabilities of the modern firm include several particular capacities. Amongst these we could list:

1) The ability to determine what sorts of commodities are produced and, between the limits of production costs and the purchasing capacity of a socially defined market, the price of commodities.

2) The ability to administer socially produced surplus. The corporation, or more correctly those who control it, decides what proportion of surplus is to be paid out to shareholders and the proportion to be reinvested. Built in here are decisions, if reinvestment is to be in the means of production, about the rate of technological advance. Baran and Sweezy add another consideration to surplus administration. They argue in <u>Monopoly Capital</u>[5] that the principal corporate problem, given the transformation from competitive to monopoly capitalism, is no longer a falling rate of profit, but instead the absorption and utilization of surplus. Hence, they suggest, corporations devote a significant portion of surplus to what they term 'the sales effort', large scale advertising campaigns which have replaced price competition as the principal means of securing markets. Due to its massive character (Baran and Sweezy suggest that 12 billion dollars were spent on advertising

in the U.S. in 1962 alone)[6] this particular form which surplus utilization takes cannot be overlooked as a means of shaping social needs and values.

3) The capacity to determine wages, the structure of the labour force and the nature of the work experience. Wages for the unionized section of the labour force are determined of course, within the context of collective bargaining,but here the corporation is able to exert significant pressure. "Included in the corporations' bag of tools for collective bargaining" suggests Clement, "are the capacity to withstand prolonged strikes by shifting operations elsewhere (including the ultimate threat of closing down an operation), the long-term strategy of avoiding strike-bound areas, the ability to call on a reserve army of unemployed, and the use of back-to-work orders issued by the state."[7] We could add here the ability to continue operations as a result of stock-piling.

The structure of the labour force and the conditions of work are both largely affected by decisions taken within the corporation concerning the use of technology. While technology is often used to replace labour-power and generates the need for different sorts of skills and occupational classifications, in many cases (the automobile factory is a good example here) the actual pace of production is set by machinery. The substantial research and development departments within the corporate sector are able to shape to a large extent, the direction of technological development which in turn determines whether tasks are to be menial or engaging, whether the work-place is to be safe or hazardous and whether a work force is to be highly skilled or an assemblage of easily replaced machine tenders. In short, the sorts of technological innovations which find their way into use, are those which best advance the particular goals of the corporation which are in turn determined by the dominant force within the corporate structure.

The Issue of Corporate Control

While it is abundantly clear to any serious student of the corporate economy that the twentieth century has witnessed considerable centralization of economic power and an extension of the limits of power of the corporation, substantially less agreement exists on other critical issues. In particular, there is a good deal of debate about what interests can be said to preside over the corporation and consequently, to the benefit of which social group(s) the corporation can be said to act. Classical economic theory begins with the notion that the firm is property and as such, that its behaviour can be understood in terms of maximizing benefits to its owner(s). The relationship between proprietor and property throughout capitalism's early phases and well into the nineteenth century was a relatively clear one, as no significant disparity existed between the functions of ownership and the highest levels of management.

The structure of the firm has not remained static.

Accompanying changes in the size and relative social significance of the firm have been changes firstly, in the appearance of the firm, the extent to which the relation between capital and labour within the firm is an apparent one, and secondly, in the type of ownership characteristic of the particular phase of the development of capitalism. The modern firm displays, in comparison to predecessors, a highly bureaucratized management function. Few employees, in the normal course of their roles, interact beyond the level of shop floor supervisors and departmental heads. Continuous division and redivision of labour has resulted in different layers of managers accompanying, horizontally, different aspects of corporate activity, and vertically, different particular aspects of the managerial function. The relation then between those working at the level of the shop floor or the clerical office, or those engaged in relations with the corporation as consumers, and the highest levels of 'management' (major shareholders and directors) becomes increasingly less 'apparent' and more of an objective one.

The increasingly bureaucratized appearance of the firm has been accompanied, for reasons to be outlined in Chapter One, by significant alterations in the nature of corporate ownership. Ownership, to present a cursory account, has passed through three particular phases. These are:

1) private family proprietorship,

2) private joint stock companies, that is, companies which combine different family capitals with a fixed

structure of participation. Increased capitalization of these firms necessitated a proportionate increase in the different participating capitals, and,

3) the public stock companies which sell shares on a public market.

Transitions from each stage to its successor have been largely dictated by the increased capital intensivity of the accumulation process, accomplished through the centralization of different capitals, and in the final case, by the transformation of the money of small investors into part of a larger centralized capital.

A critical point for analyses of corporate structure has been the rise and predominance of the public stock companies. In the case of both the family and joint stock firms, the owners and the highest managerial layer (the Board of Directors) have been largely identical. With the development of the public companies a new condition began to appear. While a large number of the public companies had been dominated by majority or minority shareholders, it became evident that in a number of companies no such controlling shareholders existed. Neither the holdings of directors and senior officers nor of the largest individual outside shareholders appeared to be of sufficient size to control the election of directors.

The first important analysis of this condition appeared in 1932 with the publication of Adolf Berle's and Gardiner Means' classic study, <u>The Modern Corporation and Private Property</u>.[8] Their central argument was that corporate ownership and control were in the process of becoming divorced.

The modern corporation, they argued, is increasingly dominated by a class of unpropertied professional managers, while its legal owners, the shareholders, are increasingly relegated to the position of mere receivers of dividend payments, unable to exercise influence over corporate direction. Consequently, they suggest, there is an increased capacity for what is often termed 'managerial discretion', for corporate goals to be aligned to interests other than those of the legal owners.

The uncritical acceptance of the Berle and Means thesis by a large section of social scientists has led to a series of new propositions about the nature of corporate power. Baumol, Galbraith, Marris and Berle,[9] among others, present new notions of the nature of the modern firm in which corporate power is variously utilized to serve the interests of managers (Baumol and Marris), a new social class identified as the 'technocracy' (Galbraith), and lastly, everyone, (Berle).

Starting with the separation of ownership from control, then, several analysts argue that fundamental changes have taken place within capitalist relations. Classical economic theory bears little importance to an economy in which the principal units of capital are no longer engaged in activities aimed at profit maximization. Analyses of social relations, and I am thinking here of Marxian class analysis, which posit that power is a function of possession of and access to, private property, offer little insight when property (share) owners are powerless to affect decisions taken with respect to their property. We are then presented with a situation in which economic power has been centralized and its limits expanded, yet it is not clear who controls these concentrations of power, nor is it evident to what ends, or in whose interests, corporate activities are organized. This juncture provides the starting point of analysis for this thesis.

The Thesis: Aims and Methods

John Porter wrote in The Vertical Mosaic[10] that the "extent to which ownership and control have become separated is a fact to be established for any one society". Realizing this to be the most sensible approach to the question of the control, and behaviour, of corporations, I examine in this thesis the nature of corporate control in the Canadian economy. The thesis presents data on shareholdings in the largest non-banking corporations in Canada. Firms considered in this group were those with assets in excess of 25 million dollars for the year 1975 which were considered to be under Canadian control. This group excludes, Crown or government-controlled corporations, banks, which are not required to disclose stock ownership information, and the subsidiaries of foreign firms, the parent operations of which are also excluded from the necessity to report ownership data to Canadian governments.

Information has been collected from the files and Monthly Report of the Ontario Securities Commission, the Bulletin Hebdomadaire de la Commission des Valeurs Mobilieres du Quebec and the Bulletin of the Bureau of Corporate Affairs, in addition to company reports, the research bulletins of investment dealers, and in certain instances, reliable journals.*

Chapter One presents an analysis of dominant theories of corporate control. This begins with an assessment of principal contributions to the theory of 'managerial discretion' generally referred to as managerialism. Not included here are reviews of the various accounts of the number of corporations in the United States deemed to be under the control of managers or shareholders. Instead we will try to come to grips with, and deepen our analysis of the nature of, those corporations for which no controlling shareholders appear to exist. For while Chapter Two demonstrates that the largest number of Canadian controlled corporations, and a majority of assets are under the administration of principal shareholders, the fact remains that in a number of the largest corporations individual shareholdings capable of exercising control are not in evidence. Further, the penetration of foreign, particularly American, capital into the Canadian economy links this economy to dominant U.S. corporations, and thus an analysis of what, by the most reliable accounts appears to be a prevalent type of control for American firms, would seem necessary. Empirical evidence will be brought to bear here concerning the class position of higher managers and the dispersion and concentration of share ownership.

The second part of Chapter One criticizes what has become

*The use of journalistic sources requires some explanation. While the majority of newspapers and magazines cannot be considered reliable sources of ownership information, two sources have been deemed here to be reliable. These are The Financial Post and the Globe and Mail, both established sources of business information.

a principal method of analysis of corporate control in Canada - élite theory. By the term 'élite theory' we are not referring here to the work of the classical élite theorists - Pareto, Mosca or Michels - but instead to the tendency referred to by Paul Sweezy as the 'semi-élitists', those who adopt the method of analysis without the assumptions of classic élite theory. The primary Canadian analysts of this type are John Porter and Wallace Clement. Our concern with the élite analysts is the extent to which their method of analysis misses the pivotal role played by private property in the distribution of economic power. Evidence to this end is presented by an analysis of the homogeneity of the key fraction of Clement's 'economic élite'.

Chapter Two presents an analysis of the ownership and control of Canadian controlled firms. It provides the empirical evidence beside which the applicability to the Canadian economy of different theories of corporate control can be properly assessed. The section analyses methods of control, the stock ownership of directors and senior officers and the relationship between corporate size and condition of control. Information is also presented which examines the particular role of banks and life insurance companies in the ownership of industrial companies.

Chapter Three concludes the thesis with an examination of wealth and power in Canada. We are concerned here not with <u>consumptive</u> wealth, the ownership of commodities, but rather with <u>productive</u> wealth - wealth that reproduces itself and provides its bearer with economic power. Herein we will examine the links between dominant capitalist families in Canada and the corporate economy, and each other.

Notes

1. For a discussion of dominant corporations see Wallace Clement, The Canadian Corporate Elite (Toronto, 1975) pp. 30-31.

2. C.W. Mills, The Causes of World War Three (New York, 1958) pp. 12-13.

3. Clement, op. cit., pp. 400-428.

4. Source: Concentration in the Manufacturing Industries of Canada, Dept. of Consumer and Corporate Affairs, 1971.

5. P. Baran and P. Sweezy, Monopoly Capital (New York, 1966).

6. Ibid., p. 119.

7. W. Clement, Continental Corporate Power (Toronto, 1977) p. 10.

8. A. Berle and G. Means, The Modern Corporation and Private Property (New York, 1932).

9. W.J. Baumol, Business Behaviour, Value and Growth (New York, 1959).
J.K. Galbraith, The New Industrial State (Boston, 1967).
R. Marris, "A Model of the 'Managerial' Enterprise," Quarterly Journal of Economics May 1963.
A. Berle, Introduction to the 1967 edition of Berle and Means, op. cit., pp. vii-xxvii.

10. J. Porter, The Vertical Mosaic (Toronto, 1965) p. 22.

CHAPTER ONE

Theories of Corporate Control

This section presents a critical review of principal contributions to the debate surrounding the alleged separation, in advanced capitalist economies, of corporate ownership from control. We are not primarily concerned here with the differing accounts[1] of the number of corporations in the United States for which there is an apparent controlling block of shares, as opposed to those apparently under the administration of professional managers. We are instead concerned with prevailing assumptions about the nature of the modern corporation, in particular with the notion of 'managerial discretion', and with theories of corporate behaviour and of the structure of power within the corporation which begin with an acceptance of this notion. The review begins with the initial work of Adolf A. Berle Jr. and Gardiner Means and proceeds to examine later extensions of the Berle and Means thesis.

The second section of the chapter discusses an analytical approach which has occupied a prominent position in the study of corporate control in Canada - élite theory. Here we will critically examine the work of two important élite analysts, John Porter and Wallace Clement.

The Managerial Thesis - Berle and Means and the Modern Corporation

In <u>The Modern Corporation and Private Property</u>, Berle and Means deal with two aspects of contemporary capitalist economies - on the one hand the concentration of economic power within relatively few enlarged units of capital, and on the other, with the form of control characteristic of these enlarged units. By 1930, they demonstrate, 45-53% of all corporate (non-banking) wealth, and 15-25% of national (US) wealth was concentrated within the largest 200 non-banking firms. In other words roughly one-half of the corporate wealth in the United States was concentrated within .0006% of then active corporations.[2] Berle and Means suggest that this concentration of productive assets into a few large firms has resulted in the extension of the limits of power of the modern corporation, which in contrast to smaller units characteristic of competitive capitalist economies:

> can harm or benefit a multitude of individuals, affect whole districts, shift the currents of trade, bring ruin to one community and prosperity to another. 3

The expansion of corporate power brings to issue the interests in which the corporation is run. Here Berle and Means depart radically from traditional economic theory. While orthodox economic theory depicted the corporation as run by its owners or their agents, Berle and Means produced evidence to suggest that in a number of corporations directors and senior officers did not own sufficient shares to indicate that their positions at the helm of the corporation were a result of share ownership. More significant they asserted, was evidence that as a result of stock dispersion, in many large firms no individual stockholdings of sufficient size to exercise control were in existence.

> No longer are the individuals in control of most of these companies, the dominant owners. Rather there are no dominant owners and control is maintained in large measure apart from ownership.

The ascendance to dominant positions within the firm of what they term "unpropertied managers" and the absence of controlling shareholders bring Berle and Means to question managerial motivation. While Berle and Means are never precise on what they consider to be the interests of the new professional managers they nevertheless indicate that these interests should not be assumed to be synonymous with those of the shareholders. Here they state:

> The interests of control are not so easily discovered. Is control likely to want to run the corporation to produce the maximum profit at the minimum risk; is it likely to want to distribute those profits generously and equitably among the owners; and is it likely to want to maintain market conditions favourable to the investor....Are we to assume for him what has been assumed in the past with regard to the owner of enterprise, that is his major aim is personal profits? Or must we expect him to seek some other end - prestige, power, or the gratification of professional zeal. 5

and add:

> It is therefore evident that we are dealing not only with distinct but often with opposing groups, ownership on the one side, control on the other,...relegating "owners" to the position of those who supply the means whereby the new princes may exercise their power. 6

The division of corporate ownership from control, which Berle and Means suggest increasingly typifies the modern corporation, presents fundamental concerns about the nature of private property* in the sort of economy which they depict. They argue property in its new condition, property without control or 'passive property' as they term it, constitutes not merely a change in form but also in substance. Appropriately, they argue that changes in *proprietas*, the relationship between property and its possessor, create the need for entirely new concepts. As private property is in the first instance a political/legal concept, that is since private property as we understand it exists as a set of rights of disposal and exclusive access, the loss of these rights, their usurpation by non-owners, revolutionizes the very nature of that property. The situation which Berle and Means depict, wherein owners are unable to affect the decisions taken in relation to their property (in this case the corporation) represents no less than fundamental alteration of the institution of private property. Our question becomes to what extent the situation

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*Property here, and throughout the thesis refers to productive property (generally corporate equity) and not consumptive property.

which Berle and Means outline is an accurate reflection of the reality of corporate control.

While Chapter Two will indicate, through an examination of the ownership and control of Canadian firms, that stock ownership remains the decisive factor for executing control over a majority of these firms, the fact remains that in a number of firms in Canada no controlling block of shares appears to exist. I will argue that despite the dispersion of shares and the powerlessness of small shareholders, private property, as several indicators will suggest, has not been overthrown within corporate capitalism. The accuracy of Berle and Means argument will be assessed through a discussion of two indicators crucial to their position - share dispersion and the stock ownership of managers.

The Dispersion of Share Ownership

The notion that stock ownership has become widely dispersed is critical to the Berle and Means argument. It is surprising then, that a detailed discussion of the role of share dispersion in capitalist development does not take place. Implicit in Berle's and Means' discussion is the notion that dispersion itself signalled a weakening of the social position of the capitalist class, while the effects of share dispersion are said to have consolidated this decline.

> Accompanying the concentration of economic power, growing out of it, and making it possible, has come an ever wider dispersion of stock ownership. This in turn has brought about a fundamental change in the character of wealth, - in the relation between the individual and his wealth, the value of that wealth and the nature of property itself. Dispersion in the ownership of separate enterprises appears to be inherent in the corporate system. It has already proceeded far, it is rapidly increasing, and appears to be an inevitable development. 7

While the evidence supports the assertion that stock dispersion has indeed accompanied economic concentration, though not in a manner reducible to crude equation, and while it is also true with certain important qualifications, that the dispersion of stock ownership has proceeded from the time of Berle's and Means' writing, the process seems worthy of some analysis.

An intermediate position in the development from the private family firm to the public stock corporations was occupied by the joint stock company.* Joint stock companies, which represented combinations of different individual capitals with a fixed structure of participation are distinguished from the stock companies in that they do not sell shares on a public market. Two things are to be noted here. Firstly, the joint stock firm historically offered to individual capitals combination as an alternative to competition.

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*The term 'joint stock' is often used to refer to 'public companies' (i.e. firms which publically sell shares). In its strict usage however, the term properly refers to companies in which private capitals are combined in a single, private firm.

Secondly, the expansion of the individual capital, through its participation in a larger aggregate capital, permitted the individual capital to be engaged in more long term and stable activities. Marx argued that the centralization of capital by means of joint stock companies allowed the entrance of capital into capital intensive ventures formerly carried out by government, extending the terrain of capital accumulation.

> (U)ndertaken by the stock companies (are) for instance the construction of railways, canals, docks, large municipal buildings, iron ship-building, large-scale drainage of land etc. 8

This description would be mere social history were we not to integrate the notion of class interest. It would be incorrect to divorce our understanding of particular developments from an understanding of the governing interests in the society in which they occur. In a capitalist society the governing interests are those of the capitalists - the internal logic the logic of capital accumulation. The combination of capitals presented certain advantages to the capitalist class; in particular an individual capital could reap a more certain and in the general case, higher, rate of return as part of an aggregate capital. At the same time, the centralization of capitals and a relative reduction in their numbers, releases previously competitive capitals from the fetters of competition, while increasing the number of profit making activities.

The improved capacity of a larger capital to render profit is essential to understanding the occurence of share dispersion. The issuing and dispersion of shares, 'going public' as it is generally called, presents a continuation of the advantages of the joint stock firm. If expansion of a private firm cannot be financed through internally generated funds, there are two avenues by which the capitalist can acquire access to the capital of others. The first of these means is to borrow, either in the form of debentures or direct loan, from institutional lenders. The second method available is to offer shares to public investors. While neither method is completely advantageous to the capitalist, the second presents the fewest disadvantages. The first method necessitates the payment of interest, the rates of which remain fixed whether a particular year has been a profitable one or not. Public offering of shares, on the other hand, provides the capitalist with a means of decreasing payment during less profitable periods, that is, through decreasing the amount of dividend payments. If these issued shares are to be voting stock, it is immediately obvious that selection of this second avenue results in a proportional decline of the original controlling interest.

There is another sense in which the 'public' company is preferable to the private for the capitalist, and this lies in the flexibility which the public company permits to investors. The investment of an entire capital in a single firm forces the capitalist to depend upon the rate of return provided by first, that individual industrial sector and second, the particular firm. Investment in several firms on the other hand, permits his investment ~~capital~~ to flow to areas presenting a higher rate of return. Concurrently, the public firm allows the controlling interest to bring in partners, whether these are thousands of small investors or large minority interests, in order to 'lay off' a part of the risk. An example of this is provided by the London Life Insurance Co. For years a firm in which the Jeffery family of London, Ontario has maintained almost absolute control, London Life, announced in 1977 that principal minority interests were to be bought from the Jeffery family by Brascan Ltd. and the Toronto Dominion Bank. The Jeffery family would maintain control, through majority interest in a holding company which would itself control London Life, and at the same time receive $17.5 million from Brascan and Toronto-Dominion.[9] This disinvestment by the Jefferies in London Life reduces the degree to which their family capital is concentrated in a single industry and reduces their dependence upon the success of a single firm. In the same vein other major Canadian private firms, Eaton's of Canada is a good example, have often discussed the possibility of 'going public'.

It is apparent that the dispersion of shares, rather than itself signalling the downfall of the capitalist class, is consistent with the interests of that class.[10] The next question to be addressed is the effect of share dispersion on corporate control. While in the majority of Canadian firms, and in a large number of U.S. ones, the dispersion of shares has simply reduced the percentage of shares needed to exercise control, at the same time data indicate that no control block exists for several U.S. and Canadian firms. Our question becomes whether or not we can conclude from this that shareholders as a group do not exercise control, and whether in fact the situation permits, as Berle and Means suggest, the ascendance of managers not necessarily concerned with the interests of the shareholders. One way to address the question would be to examine the concentration of stock ownership. A significant degree of concentration would indicate the presence of a stock owning class who would likely not only be in the first instance aware of their interests as shareholders, but also capable of acting as a group to defend their interests. While companies, as indicated earlier, are not required to disclose the presence of outside shareholders owning less than 10% of the corporation's stock, sufficient data exist to indicate the continued concentration of stock ownership. Leo Johnson in "The Development of Class in Twentieth Century Canada,"[11] from which the table below is reproduced, has provided evidence of the extent to which the ownership of corporate stock has remained concentrated in the top 1% of income earners. It is to be remembered that only one-tenth of income earners own as much as one share.

Table 2

Distribution of Shares Among Levels of Income Earners

		1948 %	1958 %	1968 %
Top	1%	57	51	42
"	5%	78	72	62
"	10%	83	79	72
"	20%	87.6	84.4	78.8
"	50%	89.5	89.3	90.2
Bottom	50%	10.5	10.7	9.8

It is immediately evident that a certain degree of share dispersion has occurred, particularly into the social layer which in competitive capitalism would have formed the petit-bourgeoisie. At the same time however, it is equally evident that the top 1% of income earners continue to own a highly disproportionate amount of corporate stock. Studies in the United States have indicated that share ownership there has also remained concentrated in the highest percentile of income earners.[12]

It is difficult to systematically compile, without complete access to shareholders lists, documentation of the number of shareholders required to comprise a majority of stock in the firms where no control block is apparent. There is however some evidence to suggest that even in the widely dispersed firms, a large portion of share ownership remains concentrated among a relatively small number of holders. Clement tells us that at Inco Ltd., a company judged in Chapter Two to be under management control, owners of 100,000 or more shares, which in 1975 meant an investment of in excess of $2.5 million, held 50.3% of Inco's outstanding stock.[13]

There is also a certain amount of evidence which illustrates the ability of large but non-controlling share-holders to mobilize in defence of their interests. Newman in <u>The Canadian Establishment</u>[14] outlines the bid by Paul Desmarais to increase Power Corporation's holding in Consolidated Bathurst.

> The paper company was in trouble,and as the largest but not majority shareholder [Desmarais] didn't see much point in trying to rescue it unless he could gain the resultant financial benefits. Montreal's financial community (particularly Wm.A. Arbuckle, one of its elder statesmen) re-buffed Desmarais' share exchange offer for the outstanding Consolidated Bathurst stock. Richard Lafferty, a Montreal investment counsellor commented at the time that it was a case of "a financial group trying to get earnings of its own holding company higher by taking over from the public shareholder, an operating company where there are sufficient potential earnings to offset the dilution involved. It is essentially a financial manipulation to compensate for their own inability to develop earnings through any creative endeavour." Desmarais remained stuck with a minority holding... 15

The instance of a recent proxy battle over the pro-posed dismissal of the entire board of directors of Kennecott Copper in the United States is also instructive. Curtiss-Wright Ltd. holder of a significant number, but less than 10%, of Kennecott's shares, had ordered the Kennecott management to divest Kennecott of certain subsidiaries. In a move to offset its own losses, Curtiss-Wright demanded that the funds generated by the sale be distributed to share owners. When the Kennecott board refused, Curtiss-Wright took the matter to proxy - and lost. Inside financial sources in the United States identified the source of the board's success <u>not</u> as superior access to the proxy machinery (which Berle an Means' point to as management's ultimate advantage) but instead as having convinced the principal stockholders, none of whom owned controlling shares, that the board's decision represented the best long term strategy.[16]

There is a final way in which 'managerial discretion' is limited in the companies where ownership is widely dispersed. Managers who may consider their interests to be at odds with those of the shareholders and who may wish to act in ways not in accordance with shareholder interests are restricted by the necessity to further use the public market as a source of funds. Between 1964 and 1976 corporations in Canada raised about $7.5[17] billions through the issuing of new equity (of which about 63% was common stock and 37% preferred shares) and forecasts for 1978 are another $2.2[18] billions. Corporate managements with a desire to 'abuse' shareholders must reconcile themselves to the fact that subscriptions to shares of a corporation with a poor past performance is not likely to be high.

Managers and Shareholders

The discussion to this point has assumed that the position of managers may be structurally opposed to that of the shareholders. Berle and Means to a large extent suggest that the professional managers who dominate the firm in which ownership is widely dispersed are generally and increasingly not propertied.[19] While in many cases it is evident that directors and senior managers do not own sufficient shares to suggest that their positions are the result of ownership, the share ownership of managers as a group remains quite high. Due to the existence of a variety of stock purchase plans and salaries larger than the level of reasonable consumption, data indicate that managers own significant numbers of shares - sufficient to suggest that they maintain an interest in the value of and return on, these shares. Wilbur Lewellen's study of the income composition of U.S. managers indicates the significance of executive stock ownership. Table 3 draws on Lewellen's study and indicates the value of shares of top executives in large U.S. manufacturing firms and the increasing percentage of total income comprised by earnings from these shares.[20]

I have compiled similar data for the highest ranking officers of Canadian firms <u>in which no controlling ownership</u> group is apparent. It should be remembered that unless an outsider owns at least 10% of a particular type of share in

Table 3

Average Value of Executive Stockholdings (U.S.)
(in dollars)

Year	Top Executive	% of Total Income	Top 5 Executives	% of Total Income
1950	469,428	22	232,994	16
1955	1,131,830	28	522,320	16
1960	1,685,288	23	1,932,440	29
1963	2,624,557	37	2,365,847	48

Table 4

<u>Value of C.E.O. shares held, 1975, in Reporting Firms*</u>

C.E.O.	Principal Co.	Reported** Directorships	Value	
A.G. Archibald	Maritime Tel & Tel	1/5	53,561	
D.W. Barr	Moore Corp.	4/15	1,298,443	
T.J. Bell	Abitibi Paper	5/11	318,390	
E.C. Bovey	Norcen Energy	6/13	184,130	
N.V. Davis	Alcan Aluminium	2/4	884,089	
J.D. Gibson	Consumers Gas Co.	7/13	68,711	
C.W. Goldring	American Growth Fund	3/13	648,501	
J.P. Gordon	Steel Co. of Can.	3/5	192,910	
L.E. Grubb	Inco Ltd.	2/4	281,160	
H.C. Hatch	Hiram Walker	3/4	12,619,130	
E.H. Heeney	National Trust	2/5	71,711	
A.W. Howard	Calgary Power	4/6	804,770	
H.J. Lang	Canron Ltd.	/9	1,646,522	
W.F. McLean	Canada Packers	2/3	2,427,946	
C.F. Mallory	Newfoundland Light & Power	/9	1,181,964	
G.C. Piercey	Nova Scotia Savings	2/4	162,708	
A. Powis	Noranda Mines	4/26	533,409	
R.C. Scrivener	Bell Can.	4/7	213,440	
F.H. Sherman	Dominion Foundries	4/10	950,171	
I.D. Sinclair	Can. Pacific	12/25	1,080,166	
W.G. Stewart	Union Gas Ltd.	1/3	1,598,761	
K.A. White	Royal Trust	6/14	246,027	
Total Value		73/174	22,390,872	
Average Value of C.E.O.'s shares.			1,253,937	21

*Reporting firms include firms (non-private) included in this study as well as ineligible firms reporting to the Dept. of Consumer and Corporate Affairs.

**Reported directorships are the number of directorships from which share values were compiled. Thus K.A. White for example sits on fourteen boards while only six of these have published shareholdings. In these six companies White owns $246,027 of shares. (see footnote 21).

a corporation he need not report his holding to the respective securities commission. Investments in firms for which one is not a director then, are not included in the following table. Table 4 indicates the 1975 value of shares held by the highest ranking officers in corporations not indicating the presence of a controlling shareholder and lists the number of directorships reported in relation to the number of directorships which the officer holds.

Although the above table necessarily underestimates the value of chief officers' stock ownership, it is apparent that the distinction between managers and capitalists is not as clear as is often suggested. Whether or not the shareholders of top ranking officers constitute a sufficient percentage to exercise control, the reader must concede that their stock ownership is significant enough to suggest that their interests are not simply those of salaried managers but also of investors. Rather than separate managers and stock owners into "opposing groups", as Berle and Means suggest, it would seem more appropriate to analytically integrate top managers into the shareowning class in a manner which appreciates their dual relation to the corporations. Indeed corporations, whether owner or management controlled go to great lengths in order to bind top executives to the interests of shareholders, through the institution of stock options and share purchase plans.

Extensions of the Managerial Thesis

The extent to which the Berle and Means thesis has become part of the orthodox wisdom of North American social science is evidenced by the number of social scientists (including Professor Berle himself) who have developed new theories of corporate strategy predicated upon the separation of ownership from control. For the purpose of analysis the new ideas about corporate capitalism can be broken down into three principle assertions. These are:

1) the belief that changes in the nature of corporate control have led to related changes in the structure of power within the corporation. J.K. Galbraith, a particular advocate of this theory, suggests that the abundance of internally generated capital and the related weakened position of shareholders, have been accompanied by a downward shift in power from the traditional agents of capital, the directors, to members of the 'technostructure', a body principally, though not exclusively, composed of managers, scientists and technicians - the new important factors of production. 22

2) the notion that profit-maximization is no longer the chief corporate goal. Though there are a number of variations here, a particularly evident current suggests that growth maximization with a minimum level of earnings (Galbraith and Baumol) or else a minimum on the stock price (Marris) have replaced profit maximization. Reid contends that merger activity as well as horizontal and vertical integration can

be understood in terms of "managers personal and group goals of security, power, prestige, increased personal income, and advancement within the firm."[23]

3) the idea that share dispersion has led to "collective capitalism"[24] wherein the majority of the population benefit, through stock ownership, from corporate activity. In light of evidence that 10% of income earners in Canada and 17% in the United States[25] own as much as one share, and at the same time share ownership remains highly concentrated, we will not seriously consider this proposition.

Galbraith's suggestion that power has been dispersed within the corporation has received critical attention from Clement who points to a number of inconsistencies in Galbraith's argument.[26] These comments will not be repeated here. There are however, two points I would like to add. First, in many firms in which ownership is widely dispersed and no shareholder controls the election of the board of directors, it is a common practice for chief executive officers to consult senior management in the selection of outside directors. This does not however, change the structure of power within the corporation, as directors retain the right to dismiss managers.[27] Managers are assessed by the extent to which their performance converges with the aims of the firm and it is the highest level of management (i.e. senior officers and directors) who oversee differing areas of managerial expertise (for example, sales, finance and production). It is essential to differentiate between influence on the one hand, and power on the other. High ranking managers with a good deal of experience and particular expertise are able to influence decision-making to the extent that their advice is sought and approved. The responsibility for major policy decisions (takeovers would be a good example here) rests at the highest level of power within the firm, that is, with the board of directors.

Second, due to the compartmentalization of various aspects of the corporate enterprise it is virtually impossible to conceive of a successful firm without a central body to co-ordinate these various aspects and provide a coherent corporate strategy. Even at the highest levels of salaried managers, the executive officers responsibility is generally allotted for a particular facet of corporate activity (for example, marketing, planning and legal action). It remains the task of the board to decide not only how successfully executives perform their functions, but also the particular significance to be attached to various departments and factors in the context of long range goals.

Corporate Behaviour

By far the most important implication of the separation of ownership from control is the assertion that maximization of profit is no longer the motive force behind corporate strategy. Galbraith contends that because profits do not accrue to members of the technostructure and because of the risk of takeover associated with high profit, managers, motivated by a desire for security, attempt to maintain the minimum level of profit necessary to provide capital for re-investment and prevent shareholder revolts. At the same time, in order to protect jobs within the technostructure, to enhance prestige and to adhere to what Galbraith terms the most "strongly avowed" "social goal", members of the technostructure seek to maximize growth as measured by sales.[28]

William Baumol, in a more precise fashion, argues that corporate executives salaries are more closely aligned to corporate size than to levels of profit. Therefore, he argues, officers of managerially dominated firms are more likely to attempt to enlarge the size of their firm than to maximize profits, while maintaining the same minimum level of earnings as stated above. Also, Baumol suggests that management controlled companies are less likely to take risks as failure may result in dismissal while success may demand repetition.[29]

Robin Marris and S.R. Reid both concur with the growth maximization thesis. Marris adds that the major restraint is maintenance of the minimum level on the stock price necessary to prevent takeover, while Reid contends that mergers and integration are principal means of guaranteeing managerial security. Mergers, he suggests, are not intended to increase profit rates but rather to promote a scale of enterprise large enough to defy takeover.

The Reid hypothesis is difficult to test as knowledge is required of the particular conditions faced by acquiring firms in order to assess the motivation behind takeovers and mergers. One would also have to be able to predict long term profit ratios without acquisition, as well as after, in order to assess the relative weight of profit seeking as a motive for takeover.[30]

The Marris, Baumol and Galbraith hypothesis can be collapsed into three empirical questions. These are:

a) Does executive compensation correlate more closely to size than to profit?

b) Are managerially controlled firms less likely to take risks than owner controlled ones? and

c) Do owner controlled and manager control firms differ in terms of profit performance?

While it is largely impossible to construct tests of these hypotheses using Canadian firms, due to the dearth of information available on executive salaries[31] and the lack of comparable firms within the same sector as several of the management controlled corporations (e.g. Bell Canada and Canadian Pacific), alternative studies are available. Robert Larner, in his important book Management Control and The Large Corporation,[32] has addressed these questions.

Larner accepts the notion that a vast majority of American corporations are controlled by their managements and uses multiple regression analysis to test the effect of this control on corporate behaviour. In examining the relation between compensation (in which stock option/purchase plans are included with salary) and growth and profit, Larner tested the significance of growth rate, revenue and assets on the one hand, and profit and rate of profit on the other in order to demonstrate the relation between these two sets of variables, and compensation. In no case was there a statistically significant relationship between the growth variables and compensation; assets was a significant variable two of three times, while in every instance there was a significant direct relation between profit and rate of profit, and compensation. Larner is led to conclude:

> (I)t would appear that the nature of financial incentives and the structure of pecuniary rewards in management-controlled corporations are such that executive compensation and income have been tied to the diligence of managers in pursuing the interest and welfare of stockholders.[33]

Similarly, Larner is unable to find a significant relation between risk avoidance and type of control. While fluctuation of profit will vary inversely with corporate size, in neither of Larner's two regressions to test this hypothesis, does the management control variable exert influence upon profit fluctuation.[34]

The most important test is of the relationship between different types of control (owner and management) and profit performance. Larner's findings here are critical. His tests demonstrate that there is a statistically significant (at the 10 percent level) inverse relation between management control and profit, but that the magnitude of this variance is small (.43 to .5 percent from the 11 percent average profit rate of the 187 firms in his sample). He concludes then, that the evidence:

> provides some support for hypotheses of managerial discretion, but suggests that the magnitude of this discretion is not as large as is often implied. It appears that proponents of managerial discretion have expended much time and effort in describing a phenomenon of relatively minor importance. Management-controlled corporations seem to be just about as profit oriented as are owner-controlled corporations. 35

Management control, in other words, does not produce an analytically significant effect on corporate profit performance.

Summary

The separation of ownership from control has, as Aaronovitch points out, "been made too 'absolute'". Beginning with information that several firms do not exhibit a particular controlling shareholder, managerial theorists have generally proceeded to exaggerate the significance of this condition by ignoring the concentration of share ownership and the stockholdings of top managers. High ranking executives of large firms tend to exhibit what I have termed a 'dual relation' to the corporate enterprise, by performing the functions of management while comprising a part, though certainly not the dominant fraction, of the investing class. To this extent they mediate between the interests of ownership and corporate managements.

At the same time the significance of share dispersion has generally been misinterpreted. Of course, individuals who own minute numbers of shares as small investments do not figure in corporate control. The majority of corporate stock however, is not owned by the peripheral investor and to the extent that share ownership is concentrated within a small number of large investors, corporate managements are restricted in any deviations from the interests of shareholders by the ability of this class to mobilize.

The developments which Galbraith suggests have accompanied share dispersion are particularly ungrounded. Not only is there no evidence to support his claim that corporate managements aim for a minimum level of earnings, his relocation of power within the technical element of corporate management are entirely superficial, resulting more from impression and a confusion of terms than a real realignment of power and corporate motivation.

II

A second theory of corporate control, differing substantially from the managerialist school, is provided by the élite theorists. As indicated earlier, the analysis disassociates the works under consideration, by John Porter and Wallace Clement, from those of the classical élite theorists Pareto, Mosca and Michels.[36] It would be of little value to level criticisms at Porter and Clement based upon inadequacies in the 'classic' works. The review of élite analysis necessarily begins with a discussion of John Porter's <u>Vertical Mosaic</u>.

While the critique will focus on Porter's understanding of economic power and his subsequent conceptualization of an economic élite, I would like to make a few remarks about the other institutional orders in which Porter suggests that power resides (Porter names economic, labour, political, bureaucratic and ideological systems, each with an elite at its apex). In particular, I would like to suggest that the independence of these orders is entirely questionable. For example, one could argue quite easily,and correctly I think, that the context in which the federal bureaucracy operates is determined outside of that bureaucratic system, and within the political order.[37] The structure of the political system, on the other hand, the relative importance of various federal departments[38] for example, or the existence and role of Crown Corporations, is highly affected by the nature of, and decisions taken within, the economic system. Though this is not the place to undertake such an analysis, I would argue that a society-wide analysis of power of the type which Porter attempts, would more constructively try to link up the various "institutional orders" which he delineates and present an analysis which focusses upon their <u>stuctural and dynamic inter-relation</u>. Porter's own data, which demonstrate a generally significant overlap between élites casts doubt upon his assertion that because "élite groups remain separate","power tends towards an equilibrium of competing élites."[39]

It is Porter's conception of an economic élite with which we are particularly concerned. Porter begins his determination of the economic élite by pointing to 183 corporations in which disproportionate amounts of economic resources (Porter excludes media corporations here) were concentrated. He then points to 1304 directorships (256 are not included as they are occupied by non-residents) of the 170 firms for which directors could be identified. In all, these 1304 directorships were occupied by 907 individuals and Porter adds another 78 bank directors who were not otherwise included. The resultant 985 individuals comprise the economic élite. The determination of those who possess and wield economic power is entirely based upon the occupation of positions.

> The empirical problem of determining which individuals occupy power roles can be solved by identifying the members of the small collegial groups that are acknowledged as being responsible for the large organizations operating within the main institutional orders of the modern society. 40

Porter proceeds to analyse the composition of this élite by examining class backgrounds and career avenues. He finds economic élite members are disproportionately recruited from the upper class and that the most highly represented career avenues were those of what he terms the "functional groups". This latter term refers to those whose careers were in engineering/science, law or else were connected to financial house. Together these three comprise 63 percent of élite career backgrounds, while another 27 percent were in family firms or else had become élite members by their 'own account'.

The smallest groups were those whose careers were based in corporate finance departments (7.9 percent) and those whose main careers were in another élite (2.1 percent).[41]

The problem with Porter's identification of the economically powerful is that his method immediately detaches economic power from the possession of private property. This results in Porter combining on the one hand, those to whom the firm is engaged in a 'functional relation', that is, the reproduction and expansion of their private capitals, and on the other, those engaged in a 'functional' relational to the firm - its legal, scientific and financial advisors. More simply stated, Porter presents dominant owners and their advisors as a homogeneous group and thus his method downplays the relations of these groups both to each other and to capital. One group is involved in a relation of proprietorship to capital, and possesses those rights which a capitalist economy attaches to this relation, while the roles of the other group are largely determined by specific, and to a degree historically specific, requirements of capital accumulation. Evidence of the flux in required functions is evidenced by Clement's findings twenty-one years later in which a shift in the relative presence of scientists and lawyers had occurred.[42]

In addition to merging two qualitatively distinct groups, Porter's method excludes from the ranks of the economically powerful,

1) those who may, through dominant stockholdings, influence or control the election of the board of directors, while not occupying a position on the boards themselves, and,

2) those in possession of large amounts of capital, whose capital is invested in non-dominant firms.

Members of this latter group <u>may</u> in fact be included among the powerful using Porter's methods, but for the wrong reasons. We shall discuss this below.

Method and theory are, of course, inseparably linked. While Porter at several points indicates, or implicitly acknowledges,[43] the role of private property in the exercise of economic power, his method attaches to position the powers which in fact accrues to large accumulations of private property. Thus his methodology of determining who exercises power downplays in theory the role of private property and detaches private property from its factual rights. Directors of course are elected, and can be dismissed, by shareowners. A large number of directors are selected on the basis of some advantage which they lend to the corporation - legal, scientific or financial expertise or else in a number of cases, contacts to the state.[44] They are generally paid, depending upon the size of the firm, between $4,000 and $8,000 per annum.[45]

At the same time, directors exercise the power of shareowners 'in trust' and are responsible here for selecting the chief executive officer, appointing senior officers and overseeing corporate activity. Their link to the power of private capital is crucial for understanding not only the dynamics of power but also to comprehending corporate motivation. The corporation is, in the words of the recent Royal Commission on Corporate Concentration, an "instrument comprising essentially private capital formations whose object is to foster the interests of its proprietors."[45] Separating corporate control from its relation to private property deprives corporate activity of its organizational principle and confuses the nature, and basis, of class relations within corporate capitalism. Corporate power is not exercised on behalf of those who occupy certain positions, but instead on behalf of those in command of large accumulations of capital.

Wallace Clement, in a later study entitled The Canadian Corporate Elite attempts to link up élite and class analyses by integrating the categories of class and élite. He says here:

> What is the relationship between élite and class?...Because of their relation for ownership and control of property, all members of the corporate élite* are also members of the bourgeoisie, but all members of the bourgeoisie are not members of the corporate élite. It will be recalled that the élite is defined as the uppermost positions only within dominant corporations, not all corporations. The corporate élite may then be said to correspond to the "big bourgeoisie." 47

Clement is prevented from completing this transformation by the extent to which he is restricted by the method of élite analysis. Like Porter he has, within the group

*While Porter locates the media élite within the ideological élite, Clement combines the media and economic élites to form a corporate élite.

of people to which he points, merged qualitatively distinct groups - one whose access to power is determined by their possession of property, and a second who rely upon recruitment into the élite based largely upon their functional relation. The heterogeneity of the corporate élite can to some extent be revealed by demonstrating the substantial disparities in the stock ownership of élite members. Table 5 shows the concentration of ownership within a small fraction of the 'core élite'. This is the group of multiple directorship holders to which members of the 'Top 100'[48] not otherwise included were added. As ownership data were compiled only for the companies in Appendix I, only core élite members whose primary corporate attachment was to one of these companies were considered.[47] This excludes of course, compradors* and élite members attached primarily to private firms. Retired and deceased (before Dec. 31, 1975) members were also removed. In total 103 cases are reported.

Table 5
Share distribution among members* of 'Core Elite'

(n) = 103
Total Value of 'Core Elite' Shares = $1,039,645,974.00

		Value ($)	% of Total	Cum. %
Top	10 members	875,064,386	84.2	84.2
"	11-25 members	120,329,598	11.5	95.7
Bottom	78 members	44,251,990	4.3	100
Total	103	1,039,645,974	100.0	100.0

*includes family holdings.

*Canadian directors whose principle affiliations are to foreign controlled firms.

Evidence of the key role which inheritance plays in the accumulation of wealth and further evidence of distinctions in the composition of the élite, are provided by examining the relationship between class background and capital accumulation. Table 6 relates values of shares held to class background.

Table 6

Share Distribution by Class Background of 'Core Elite'

(n) = 103		Value of Shares held ($)	Ave. Value ($)	Ave.with extreme (n)values deleted	
Upper Class	(73)	898,006,874	12,301,464	(71)	6,216,626
Middle Class	(25)	65,794,300	2,631,772	(23)	1,777,740
Working Class	(5)	75,844,800*	15,168,960	(3)	925,963
Total	103	1,039,645,974		97	

*$73,052,539 of this total is comprised by Steinberg family holdings. Deletion of extreme values removed highest and lowest value in each class category.

As a result of the method of élite analysis, individuals with access to large accumulations of capital whose capital does not happen to be invested in a dominant firm, yet who are in control of substantial economic empires, are excluded from the analysis, or else are only 'accidentally' included. For example, R.D. Southern is a member of the corporate élite due to his membership on the board of Canadian Pacific although the real base of the economic power of the Southern family is Atco Industries Ltd. a significant holding company which the Southern family owns and controls. The Belzberg family, dominant owners of First City Financial Corp. and City Savings & Trust Co., are excluded by élite analysis from importance. Numerous examples could be cited here. It could be argued that it is the significance of the firm to which one is attached which determines the range of one's economic power. At the same time however, capital may 'flow', in the form of exchange of equity, from being invested in one firm to another. It becomes to a certain extent arbitrary then, to limit analytical significance to pools of capital invested in dominant firms and exclude other major accumulations of private capital.

Lastly, while in the vast majority of cases those with a controlling shareholding in a firm will either occupy a position on the board of directors, or else will be represented by family member(s), exceptions to this norm do occur. In a number of companies, owners of very large amounts of stock, who must be taken into account are not represented on the board of directors.* An example is provided by James Pattison who controls Crush International Ltd. with the 34.3% holding in Crush by Neonex, a holding company in which Pattison exercised minority control.** Pattison however, does not sit on the board of Crush, where his interests are instead represented by J.M. Thompson, chairman of Crush International and a director of Neonex. Though Crush International is not a dominant firm, and thus Pattison was not 'passed over' in Clement's selection of the economic élite, the case indicates that dominant shareholders, and significant capitalists, cannot always be located by identifying members of the board of directors of dominant firms.

*See for example M. Loeb Ltd. G.S.W.Ltd., and Crown Trust in Appendix I.
**Neonex is now a private firm.

Summary

Capitalist economies are such that certain rights are attached to the ownership of private property. As long as corporations continue to exist as private property, that is, as long as corporate capitalism remains the mode of economic organization, corporate power will continue to reside with the corporation's owners. The problem with élite theory is not simply that it methodologically fails to distinguish between different layers of the élite. This is in itself merely symptomatic of the larger problems - that élite theory tends to ignore the relationship between the corporation and capital. To this end,further social relations, between capital and employees or customers, are re-constructed as relations between directors, or the firm itself, and these groups and in this manner tend to be obscured. The degree to which corporate control is attached to private property is to be the subject of the next chapter.

Notes to Chapter One:

1. See for example:

   P.H. Burch, Jr., The Managerial Revolution Reassessed (Lexington, Mass., 1972).

   R.J. Larner, "Ownership and Control in the 200 Largest Nonfinancial Corporations: 1929 and 1963", in American Economic Review (Sept. 1966), pp. 777-787.

   R.J. Larner, Management Control and the Large Corporation (New York, 1972).

   F. Lundberg, The Rich and the Super-Rich (New York, 1969).

   R. Sheehan, "Proprietors in the World of Big Business" in Fortune Magazine June 15, 1967, pp. 78-183.

   Temporary National Economic Committee (TNEC), The Distribution of Ownership in the 200 Largest Nonfinancial Corporations No. 29 (Washington D.C., 1940).

   D. Villarejo, "Stock Ownership and the Control of Corporations" in New University Thought, Autumn 1961, pp. 33-77 and Winter 1962, pp. 47-65.

   M. Zeitlin, "Corporate Control: The Large Corporation and the Capitalist Class", in American Journal of Sociology Vol. LXXIX pp. 1073-1119. Zeitlin does not attempt to systematically locate control of large corporations but points to evidence which he says has been overlooked in other works. He is primarily concerned with the relation between dominant families and the large corporations and with the structure of the dominant class.

2. Berle and Means, op. cit., p. 33.

3. Ibid., p. 46.

4. Ibid., p. 110-111.

5. Ibid., p. 114.

6. Ibid., p. 116.

7. Ibid., p. 47.

8. K. Marx, Capital Vol. II p. 477. Marx makes the further argument that joint stock companies in that they centralize capitals "by a turn of the hand" as he puts it, have contributed to changes in the composition of capital.

8. continued...

Centralization, he argues, has permitted an increase in the constant component of capital and a consequent decline in its variable component.

9. Globe and Mail, May 15, 1977 p. B.2.

10. While not central to the argument here, the public offering of corporate stock presented additional avenues for profit-making, not the least important of which was share speculation. Corporate shares, circulating titles of ownership and claims to corporate earnings, took on an added dimension when speculation became a common activity among investors. Particularly in the United States during the late 1920's, the value of a share became detached from its dividend-earning potential and ultimately determined by the price of resale. See Galbraith, The Great Crash (Boston, 1972) pp. 29-45.

11. L. Johnson "The Development of Class in Twentieth Century Canada" in G. Teeple ed. Capitalism and The National Question in Canada (Toronto, 1972), pp. 142-183. Table taken from p. 156.

12. See F. Lundberg, op. cit. pp. 8-14. Lundberg reports the findings of the Lampman study in which the top 1% of income earners owned about 25% of national (U.S.) wealth in 1953, and the top 1.6% held 85% of corporate stock that year. Lundberg's own data however, are substantially less reliable. His estimation of family wealth for example, assumes that families owned the same stock in 1964 as they did 25 years earlier, despite evidence to the contrary. References to Lundberg in the thesis will be only to reliable studies which he reports.

13. See Wallace Clement, 1977 p. 155.

14. P. Newman, The Canadian Establishment (Toronto, 1975).

15. Ibid., p. 77.

16. According to the New York Times,

> "well placed sources...said that Mr. Milliken (Kennecott C.E.O.), working closely with W.H. Mendel, president of Kennecott, called on dozens of substantial investors with the Kennecott message that the Curtiss-Wright program wouldn't work."

New York Times, May 4, 1978 p. D-5. Milliken primarily spread the message that Curtiss-Wright intended to merge with Kennecott and prop up its own sagging earnings level.

17. See the Report of the Royal Commission on Concentration, Queen's Printer, 1978, p. 224.

18. See the Globe and Mail, May 1, 1978, p. B-3.

19. See Berle and Means, op. cit. p. 82.

20. W. Lewellen, Executive Compensation in Large Industrial Corporations, (New York, 1968). Table is derived from p. 79 and p. 83.

21. The disparity between executives shareholdings would likely not be as large as it appears were total stock ownership data available. For example, E.H. Heeney, chief executive officer of National Trust, is also chairman of Munich Reinsurance Co. and Munich Holdings, for which share ownership data are not published. G. Piercey, chief executive officer of Nova Scotia Savings and Loan Co. is also the president of Piercey Investors, a family firm, about which there is no public information. The Archibald family of Nova Scotia meanwhile, own several local firms which are not included in this study. Only Archibald's shareholding in Maritime T & T is included. The result of inclusion of all stock ownership for chief officers would likely be a substantial increase in the stated average value of stock ownership.

22. J.K. Galbraith, The New Industrial State (New York, 1967) pp. 57-96.

23. S. Reid, Mergers, Managers and the Economy (New York, 1968) p. 196, cited in S. Aaronovitch and M. Sawyer, Big Business (London, 1975) p. 169.

24. For a clear expression of this thesis see Adolf Berle Jr.'s "Property Production and Revolution" in the 1967 edition of Berle and Means, op. cit. Berle argues that share dispersion, coupled with the large stockholdings of banks and pension funds, have made a capitalist of almost everyone.

25. See Lundberg, op. cit., pp. 12-13.

26. W. Clement, The Canadian Corporate Elite (Toronto, 1975) pp. 16-18.

27. While the dismissal of a senior corporate official is, if not uncommon, at least not commonly publicized, some dramatic examples exist. See Newman, op. cit., pp. 127-138 for the case of N. McKinnon and p.34 for an account of the dismissal of the president of Massey Ferguson.

28. See Galbraith op. cit., pp. 181-186.

29. See Larner, 1972, pp. 26-27.

30. For a thoroughgoing discussion of both Marris and Reid, see Aaronovitch and Sawyer _op. cit._, pp. 169-190.

31. Corporations in the United States, if they are listed on a stock exchange, are required to report executive salaries to the Federal Securities Commission. In Canada no such regulations exist.

32. It is difficult to explain the negative reaction which Larner's work has received in the United States from academics concerned with the errors of the managerial thesis. It is certainly the most systematic analysis of many of the ideas which have arisen as a result of the Berle and Means work. See in particular pp. 25-61.

33. Larner, 1972, p. 61.

34. _Ibid._, pp. 29-32.

35. _Ibid._, p. 29.

36. Pareto in particular could as easily be termed a ruling-class sociologist as a sociologist of the ruling-class. An inheritor of a substantial fortune, he was by an early age a director of two major Italian firms. Hereafter, he became displeased with the growing power of European unions and argued in _Mind and Society_ (New York, 1935) p. 1143 that the division of wealth between capital and labour would best be resolved through capital's ability to predominate. The Italian dictator Benito Mussolini remarked that while "Pareto (was) regretably not, a fascist, he (had) contributed a great deal to fascist thinking."

37. Porter uses Weber to argue that bureaucracies begin to create rules of their own. But here Weber is somewhat ambiguous, arguing also,as Clement points out that "bureaucracy is a power instrument of the first order - for the one who controls the bureaucracy." See Porter, p. 418-419 and Clement, 1975, p. 24.

38. See R. Mahon, "Canadian Public Policy: The Unequal Structure of Representation" in L. Panitch ed. _The Canadian State: Political Economy and Political Power_ (Toronto: 1977) pp. 165-194.

39. Porter, pp. 213-214.

40. _Ibid._, p. 220. For an explanation of the method of selection of various elites see pp. 578-579 and pp.597-612.

41. See Porter p. 274-279. Porter was able to identify the career avenues of 84.4% of elite members. The stated percentages are percentages of the identifiable group. The inclusion of members whose careers were based in financial houses, among the 'functional' group is disputable. For example, Charles Gundy's career has been associated with the family firm of Wood Gundy Ltd. while at the same time he is part of the control group of at least one corporation (Simpsons Ltd.).

42. See Clement, 1975 pp. 174-175.

43. Porter, p. 214 and p. 280.

44. See the Submission of the Steel Company of Canada to the Royal Commission on Concentration (Ottawa, 1975). The Stelco brief makes clear the particular advantages which corporate directors variously provide.

45. See S. Watson and K. Wong, Canadian Directorship Practices: Compensation 1976, (Ottawa, 1976) pp. 9-12. While there is variation of directors' compensation based upon size of firm, there is also variation by corporate sector. Among directors of non-manufacturing firms, trust company directors tend to receive the lowest compensation and insurance company directors the highest. In the manufacturing firms, primary metal producing firms and petroleum product companies pay the highest director fees.

46. The Report of the Royal Commission on Corporate Concentration, pp. 320-321.

47. Clement, 1975 pp. 5-6.

48. The 'Top 100' is a largely journalistic category whose members are top executives from what are judged to be the most important of the dominant corporations.

49. Including only those whose principal attachment is to one of the firms under study ensures comparability as it is most likely that directors will have their largest shareholdings in their primary firm or its subsidiary. Principal corporate attachment was assessed on the basis of the first position listed in the Financial Post Directory of Directors. Law firms were excluded from this designation and in the case of lawyers who list a legal firm as their primary association, the first corporation listed was selected.

CHAPTER TWO

Ownership and Control

Introduction

The ownership and control of Canadian controlled firms with assets in excess of $25,000,000 have been examined. Companies have been arranged in three categories according to the extent of their assets; large firms with assets in excess of $750,000,000, middle range firms with assets between $100,000,000 and $750,000,000, and, small firms with assets valued from $25,000,000 to $100,000,000. Included in the study are industrial, financial and insurance companies listed on the Toronto or Montreal Stock Exchange, as well as three federally chartered private firms and two provincially chartered private companies[1] on which information could be obtained. As provincially chartered private firms are not required to publish financial statements, they have not, as a rule, been included in the study, although several such companies would certainly meet the asset requirements. N.M. Davis Corp., owned by Nelson Davis, Comstock International owned by Charles Rathgeb, McCain Foods Ltd. owned by the McCain family and Minas Basin Pulp and Power Ltd., owned by J.J. Jodrey, are but a few such private companies. As a result of the exclusion of provincially chartered private companies, there is an underestimation in the study of the number, and relative presence, of privately owned companies.

Also excluded from the study are banks, which are not required to report share ownership to securities commissions; co-operative societies, such as credit unions and agricultural associations;[2] mutualized insurance companies, that is insurance companies which do not have share capital, and; corporations under foreign or government control. Foreign controlled firms were excluded because, while they are controlled by their shareholders ,that is the parent firm, it is the type of final control in which we are interested, and information about the ownership structure of foreign parent companies is not generally available from Canadian sources.

The companies in the study have been classified according to their particular type of control. Four different categories are used. These are:

1) Private ownership, referring to companies which are wholly owned and do not sell shares on a public market.

2) Majority control, wherein an individual or associated individuals own a majority of voting shares. Throughout the thesis references to percentages of shares will be to voting stock, and whereas in many companies particular stock-types elect as a group a minority of directors, references will be to those types of shares capable of electing a majority of the board.

3) Minority control. Using the definition presented by Berle and Means, minority control "may be said to exist when an individual or small group hold a sufficient stock interest

to be in a position to dominate a corporation through their stock interest. Such a group is often said to have "working control" of the company."[3] Berle and Means' established 20 percent of voting shares as a necessary minimum to form a nucleus of control, although particularly in cases where stockholders with a lesser percentage had disposed of key officers, they were forced to admit that a smaller percentage of shares could actually control a firm. In light of evidence that a smaller degree of ownership than 20 percent can, and does, exercise control,[4] I have established 10 percent of the shares as the necessary measure to indicate minority control. This measure is in line with that used by Robert Larner[5] and with the reporting procedure of the Ontario Securities Commission and the Québec Securities Commission. But whereas Larner simply accepted a holding of 10 percent of a corporation's stock as evidence of minority control, in this study the presence of two directors from the dominant interest on the board of the controlled firm is required to establish the presence of control. Thus Noranda Mines is considered to be management controlled, despite the ownership of 10.7 percent of its shares by Argus subsidiaries, as no directors from these subidiaries or from Argus, sit on the Noranda board.

As the corporate world does not in every case correspond to the researcher's method, it has been necessary to grant certain exemptions from both the 10 percent limit and the two director guidelines. The Hudson's Bay Co., for example is 7 percent owned by Brascan Ltd. which is itself controlled by

J.H. Moore and associates through Jonlab Investments. Because of the presence on the Hudson's Bay board of two Brascan directors, including Moore himself and A.J. MacIntosh, now deputy governor of Hudson's Bay Co., as well as a third director from the Brascan controlled John Labatt Ltd., Hudson's Bay Co. has been designated as controlled by Brascan. Similarly, the Gundy, Scott and Burton families have been represented on the board at Simpson's Ltd. for two generations, and together own about 5 percent of Simpson's stock. Due to their substantial ownership of, and longstanding association with Simpson's Ltd.,the company has been determined to be under the control of these families. These cases, in which stock ownership does not meet the 10 percent requirement yet the company appears to be minority controlled, are designated in Appendix I as 'probably minority' controlled.

The second exception to the standards for establishing the presence of minority control, has been in cases where a single director owns in excess of 10 percent, but neither a member of the director's family, nor a clearly identified associate, occupy a second position on the board of directors. In cases where the directors share ownership is of sufficient magnitude to constitute clear control, for example R.H. Webster's 42 percent interest in Burns Foods Ltd., no problem is presented. In marginal cases, such as D.R. Sobey's ownership of 10 percent of the stock of Dominion Textiles, the designation 'probably minority' control has again been used.

4) Management control. Companies have been determined

to be management controlled when no stock owning interest of sufficient size to exercise control is in evidence or in the case of Noranda Mines when large stock owners are not represented on the board of directors. To say that these firms are management controlled does not mean that stock holders are unable to, in the final case, effect corporate decision-making. As Larner has argued:

> Management control...does not imply that managers are totally independent of stockholders or that they can completely ignore the owners' interests, for successful attempts to vote an unsatisfactory management out of office, while rare, do nonetheless occur. A prolonged period of low or negative profit or a series of costly and well-publicized blunders can generate a successful rebellion among the stockholders. [6]

What management control does mean, is that given circumstances of satisfactory performance, directors appoint their successors and ratify their selections through the use of proxies. Management in this case, is a self perpetuating group which operates with shareowner interests as a constraint rather than as an immediately present motivating force.

One further designation of control which Berle and Means use, and which Larner reproduces, that is not employed in this study is control by legal device. Berle and Means included in this category companies controlled through pyramiding, that is, companies controlled through one or more intermediary firms; firms controlled through disproportionate votes attached to particular issues of stock; and finally, companies controlled through a voting trust.[7] Were this classification to have been used, all of the companies controlled by Power Corporation and Canadian Pacific Investments, every company with non-voting, or disproportionately voting, stock (this would include several important companies) and any company controlled through a voting trust (once again, this would include several key firms) would be brought together under the designation of 'control by legal device'. Since in the end, we are concerned with whether firms are controlled by a dominant share owner, or group of share owners, or by their managements, it is of little use to lump together such a variety of firms within this rather imprecise designation.

Two stages of control have been distinguished. The first of these, 'initial' control, refers to the manner in which a subsidiary is controlled by the parent firm, while 'final' control refers to the control structure of the parent. Thus Canadian Pacific Investments is majority controlled by Canadian Pacific Ltd., which is in turn a management controlled firm. In each case it is the 'final' stage with which we are interested and companies are referred to by their particular type of 'final control'. An initial stage has been established only in cases where the parent firm is actually an operating company. For example Argus Corp. is controlled by Ravelston, a private company whose only assets are the shares in Argus held by J.A. McDougald,[8] the estate of his late brother-in-law E. Phillips, A.B. Matthews, M.C.G. Meighen and the Black family. Ravelston has not been considered an operating company and thus Argus has been designated the parent firm.

In all 259 firms, comprising in excess of $100,000,000,000 in assets, have been examined. This chapter will review the results of the study.

Overall, the majority of firms and the majority of corporate assets are under either shareowner or private control. Management control however was the most highly represented individual category in terms of assets. Of the 38 large firms, 19 companies, of which 13 are parent firms and 6 subsidiaries, are management controlled. Twenty two of the 98 middle range firms fall under the classification of management controlled, of which 9 are parent firms and 13 are subsidiaries. Management control accounted for 6 of the small firms, all of which are subsidiaries. In total then, 47 firms comprising 22 companies which are actually internally controlled, along with their 25 subsidiaries have been ruled management controlled.

Table 7 presents a breakdown of control by corporate size.

Management Control

Management controlled firms are not only concentrated in the large firm division; the majority of assets under management control are also concentrated within the very largest of these firms. The five largest management controlled parent companies - Bell Canada, Canadian Pacific Ltd., the Royal Trust, Inco and Alcan - along with their 13 subsidiaries, account for 70 percent of all assets under management control.

Canadian Pacific Ltd. with its subsidiaries accounts for 31.5 percent of the management controlled assets and for 12 of the 47 management controlled firms.

Table 7

Control Measured by Assets, All Companies

	Large Firms			Middle Range			Small Firms		
Control	No.	Assets (000's)	%	No.	Assets (000's)	%	No.	Assets (000's)	%
Private	3	2,803,516	4.1	5	1,269,586	4.7	4	217,323	3.3
Majority	8	11,205,990	16.3	32	9,951,154	37.1	60	3,236,530	48.7
Minority	8	13,834,217	20.2	39	8,442,020	31.5	53	2,872,203	43.1
Management	19	40,772,420	59.4	22	7,150,090	26.7	6	324,525	4.9
Total	38	68,616,143	100	98	26,812,850	100	123	6,650,581	100

All Companies

	No.	Assets (000's)	%
Private	12	4,290,425	4.2
Majority	100	24,393,674	23.9
Minority	100	25,148,440	24.6
Management	47	48,247,035	47.3
Total	259	102,079,574	100

Chapter One indicated that management controlled firms are not likely to behave in a different manner from firms controlled by stockholders. Share ownership data suggest that investors treat management controlled companies in about the same manner as shareowner controlled firms. For example, subsidiaries of Power Corporation - the Imperial Life Assurance Co., Great West Life, Montreal Trust and the Investor's Group companies - have a combined investment of about $27.8 millions in the shares of Canadian Pacific Ltd., while investing groups listed in the Financial Post Survey[9] of Funds (which includes the Power subsidiaries) in 1975 had a combined investment of about $65 millions in C.P. Canadian Pacific Ltd. meanwhile, has outperformed the Toronto Stock Exchange every year but one since 1970.[10]

Other management controlled firms were also prime outlets for investors. The Financial Post listed funds in 1975 showed combined investments of $89.1 millions in Inco, $71.5 millions in Bell Canada, $30.2 millions in Alcan and $6.2 million in Royal Trust. The investment of Argus subsidiaries* in Noranda Mines in 1975 totalled about $80.5 millions while other funds had combined investments in Noranda of $46.8 millions. While combined investment consists of the total investment of an average of 45 investing funds, the magnitude of individual investments in the management controlled firms demonstrates the extent to which these firms are regarded as sources of profit. The $27.8 million invested by Power Corporation subsidiaries in Canadian Pacific, for example, actually exceeds the original controlling investment (by Paul Desmarais and his late accountant) in Power Corporation itself. Similarly, the investment by subsidiaries of Argus Corp. in Noranda Mines is of approximately two and one half times the value of the controlling interest of the Ravelston partners in Argus Corp.

*The subsidiaries are Hollinger Mines, Labrador Mining & Exploration Co.

The management controlled firms remain class institutions. Not only does investment in these firms continue to be concentrated within the dominant section of the capitalist class and the investment firms they control, the key positions in these firms are held by either key capitalists from other firms, or high-ranking executives fully integrated into the corporate economy. The boards of directors of management controlled firms are of similar composition to those of companies controlled by a dominant shareowner, and to a great extent dominant capitalists from other firms are brought together on these boards. For example, on the board of Canadian Pacific Ltd. sit J.H. Moore of Brascan; R.D. Wolfe of the Oshawa Group; D. Timmis of Timmis Investment; W.A. Arbuckle, a substantial Montreal investor; L. Rolland of Rolland Paper; C. Pratte, a large, though not dominant shareholder in, and director of, Power Corporation, as well as a host of multiple directorship holders.

Moore and Rolland also sit on the board of Bell Canada, along with G.A. Burton of Simpsons. Further, Rolland is also a director of Inco Ltd., where he is joined by G.T. Richardson of James Richardson and Sons; D.G. Willmot, a controlling shareholder in Jannock Corp. as well as the chief executive officer of Molson's Co's.; and several major corporate executives, including J.P. Gordon of the Steel Co. of Canada, D.W. Barr of Moore Corp., G.A Hart of the Bank of Montreal and P.D. Curry of Power Corporation.

The class backgrounds of the top officers in the management controlled firms further illustrates the degree to which these firms are integrated into the corporate economy. Of the twenty two chief officers of parent firms under management control, seventeen (about 77 percent) came from upper class family backgrounds[12] and of these seventeen, thirteen had fathers or fathers-in-law who were substantial businessmen. In other words about three-fifths of the chief executive officers of management controlled firms was 'recruited' from business families and a further one-fifth were 'recruited' from other segments of the upper class. While the stock ownership of these chief executive officers has been discussed in Chapter One, directors of the management controlled firms also have substantial investments in these companies, owning an average of about $110,000 of stock in the parent companies alone.

Management controlled firms are neither firms which behave differently from those controlled by owners, nor are they firms over which the dominant class, as a whole, has 'lost control'. In light of the evidence of the integration of these into the corporate economy, a corporate economy dominated by large capitalists, managerial theory becomes increasingly trivial. While all stock companies are centralizations of different capitals, management controlled firms differ from shareowner controlled companies only to the extent that no particular individual capital is large enough to dominate. The reasons for this condition appear to be two-fold. While it is evident that corporate size is a key factor in determining whether or not a particular firm is likely to be owner or management controlled, size alone does not explain the phenomenon of management control. For example, seven shareholder controlled firms are larger than the sixth largest management controlled company - Noranda Mines; and several firms controlled by a dominant shareowner are of greater size than the management controlled parent firms in the middle range division. Besides corporate size, the nature of the firm, in particular the degree to which capital is invested in fixed assets, appears to be an important factor in the development and extent of management control. The sectors in which corporate investment tends to take a fixed form are the sectors in which the greatest percentage of assets are likely to be management controlled. These particular sectors appear to be: transportation and utilities, the resource industries, and to a lesser extent the manufacturing industries. Table 8 examines the distribution of corporate assets under management control across sectors.

It is clear that management control is most evident among the transportation and utilities companies, and in the mining, gas and oil sector. About 56 percent of all of the assets under management control are located in these two sectors. Even utilities and gas companies in the middle range division are likely to be controlled by management. The Consumers Gas, Union Gas, New Brunswick Telephone and Newfoundland Light and Power companies are evidence of this tendency. Forest product companies and manufacturing firms

Table 8

Type of Control by Sector,[12] Large Middle Range and Small Companies
Measured by Assets (in $ millions)

	Finance Co's.					Transportation & Utilities					Manufacturing				
	L	M	S	Assets	%	L	M	S	Assets	%	L	M	S	Assets	%
Private	1	3	2	1,935	4.9	-	-	-	-	-	-	-	-	-	-
Majority	4	14	10	10,101	25.4	-	-	6	304	1.8	3	2	13	6,149	38.7
Minority	6	15	11	16,301	40.4	-	1	4	303	1.8	0	10	16	3,184	20.0
Management	4	3	1	11,659	29.3	4	3	-	15,844	96.3	4	5	1	6,573	41.3
Total	15	35	24	39,726	100	4	4	10	16,451	100*	7	17	30	15,906	100*

	Mining, Gas and Oil					Wholesale & Retail Trade					Real Estate				
	L	M	S	Assets	%	L	M	S	Assets	%	L	M	S	Assets	%
Private	-	-	-	-	-**	1	-	-	1,150	19.0	-	1	-	115	2.3
Majority	-	1	2	247	2.1	-	7	8	2,889	47.9	1	5	6	2,579	50.6
Minority	-	2	8	468	5.3	1	2	9	1,998	33.1	1	6	-	2,406	47.2
Management	5	7	4	11,002	92.6	-	-	-	-	-	-	-	-	-	-
Total	5	10	14	11,875	100	2	9	17	6,037	100	2	12	6	5,100	100*

	Forest Products					Media Co.'s.					Unclassified				
	L	M	S	Assets	%	L	M	S	Assets	%	L	M	S	Assets	%
Private	-	-	-	-	-	-	1	1	172	18.1	1	-	1	917	77.7
Majority	-	3	1	1,566	32.6	-	-	8	334	35.1	-	-	5	155	13.1
Minority	-	1	-	105	2.2	-	2	4	445	46.8	-	-	2	108	9.2
Management	2	4	-	3,129	65.2	-	-	-	-	-	-	-	-	-	-
Total	2	8	1	4,800	100	-	3	13	951	100	1	-	8	1,180	100

*Percentages will not always total 100 due to rounding.
** The Irving family companies have not been classified.Were these to be included, 2.9% of the Mining, Gas and Oil assets would have been classified private. About three-fifths of the Irving Companies total assets would be distributed across transportation, media and other sectors.

are, in order, the next most likely companies to come under management control; although the majority of assets in the manufacturing sector are under some form of owner control. Within these four sectors fall about 70 percent of the corporate assets under management control.

By contrast, companies in the financial sector are more likely to be directly controlled by their owners, regardless of size. Of the 14 financial companies among the large firms, only 4 have been designated as management controlled. One of these four, Canadian Pacific Investments, is in fact a subsidiary of a transportation company, while a second, Alcan Aluminium is at once a financial and industrial concern. Were these two firms to be removed, about 85 percent of the assets of financial companies would come under some type of ownership control. Similarly, none of the companies in the trade sector were management controlled, even within the large firm division.

What seems to distinguish firms in the financial and trade sector, from the majority of firms controlled by management, is the lesser degree to which investment by these former companies takes a fixed form. The assets of trade companies are to a large extent formed by inventories and receivable accounts, while only about one-fourth of the assets of the large retailing and wholesaling companies are constituted by physical plants and machinery. More strikingly, the assets of financial companies are almost in every case guaranteed. Though there is variability among firms, the assets of the large trust and life insurance firms are generally composed of investments in corporate securities, corporate and government bonds and residential mortgages. These types of investments are either flexible, as is the case with corporate stock which can be exchanged, or 'secured', in the case of mortgages and debentures.

By contrast, the transportation and utilities companies and the mining, gas and oil firms have, in every case, the vast majority of their assets in a fixed form. About 77 percent of the total assets of Bell Canada and Canadian Pacific are fixed; over fourth-fifths of the assets of electrical utilities companies and gas companies and over one half of the assets of the major mining companies are also invested in a fixed form.

In order to meet the large financial requirements involved in the capital-intensive industries, large amounts of equity have been issued by the firms located in these sectors. If we were to establish 10 percent as a necessary degree of ownership to exercise control, it would require an expenditure of about $250 million to control Bell Canada and approximately one-half of this amount to control Canadian Pacific. While private pools of capital of this magnitude exist in Canada; (for example the 1975 value of Bronfman family shares in Seagram Company alone was about $370 millions) the degree to which an individual capital would assume such a large proportion of the equity of these companies is restricted by the degree to which the assets of these firms assume a fixed as opposed to a flexible or movable form, and hence, to which the return on investment is determined by the ability of particular assets to produce a profit. On the other hand, investment in the large financial houses is to a certain extent more secure, as the assets of these firms tend to be either more flexible or in some manner guaranteed.

Owner Controlled Firms - Methods of Control

The discussion thus far has centred around firms in which there is no clearly dominant ownership interest. The majority of Canadian controlled firms however, and the majority of corporate assets are not controlled by corporate managements but are under the administration of owners. The remainder of the thesis will focus upon the relationship between dominant capitalists and the corporate economy.

Two types of capitalist control can immediately be distinguished. The first of these is direct investment in, and control of, a firm by a single capitalist, a capitalist family, or a group of associates. The second type is the control of firms through financial intermediaries which greatly expand the original capital and permits it to control a series of large firms.

Of the thirty-eight large firms, nineteen are under the control of an ownership interest. Three of these nineteen are privately owned and sixteen are stock companies controlled by minority or majority interests. Of these latter sixteen firms, only five - London Life, Brascan Ltd., Cadillac Fairview,

G. Weston Ltd. and Crown Life - are controlled directly by their dominant shareholder(s). The remaining eleven are controlled through financial intermediaries. While inter-corporate ownership among the management controlled firms tends to be 'top-down', that is the larger firms, the reverse tendency is evident among the owner controlled companies. Ten of the eleven 'indirectly' controlled companies are controlled by smaller holding companies, while an eleventh, Hudson's Bay Co., is controlled by the larger Brascan Ltd. Six of these are controlled by middle range firms - Massey Ferguson by Argus Corp., the Great West Life Assurance Co. and Montreal Trust by Power Corp.; Seagram Co. by the Bronfmans through Seco-Cemp.; the Victoria and Grey Trust by the Jackman controlled E-L Financial Corp.; and Canada Trust Co. by Canadian General Investments. Another two companies, Trizec Corp. and I.A.C. Ltd., are controlled by a firm in the 'small firm' division, the Bronfman family controlled Carena-Bancorp. Two additional firms, the Trader's Group and Guaranty Trust Co. are finally controlled by Canadian General Securities Ltd. a holding company under the majority control of J.W. McCutcheon and G.R. Chater which was itself too small to be included in the 'small firm' classification.

Canadian General Securities provides a vivid illustration of the ability of financiers to control large companies, with relatively small original investments. The company has three classifications of stock; preferred non-voting shares, common class 'A' non-voting shares and common class 'B' voting stock. Eighty thousand five hundred of the class 'B' shares are owned by Gormley Investments Ltd., a private investment fund set up by the late M. Wallace McCutcheon - a past Minister of Finance and an important financier in his own right, through Argus Corp. - for his son J.W. McCutcheon. Another eighty thousand five hundred 'B' shares are owned by Greywinds Investments Ltd., a private fund owned by G.R. Chater. Chater and McCutcheon, through a voting agreement, together control 55.3 percent of Canadian General Securities voting stock although their combined investment in C.G.S. represents only about 26 percent of the company's total equity. At the quoted price at which class 'B' shares last traded (in 1972) the original value of the combined McCutcheon-Chater investment was $4,275,000.

Virtually all of the assets of Canadian General Securities consist of 582,794 class 'B' common shares of Traders Group Ltd., a sales finance company with assets in excess of $1 billion. Traders itself has 6 classifications of preferred shares and two types of common. The 5.5 million class 'A' common shares, as a group, elect two of the fifteen directors. The remaining thirteen directors are elected by the 820,000 'B' shares of which Canadian General Securities owns 80.9 percent. This 80.9 percent voting interest represents only about 6.1 percent of Traders total equity. Traders Group has purchased, through Acres Ltd. a wholly owned engineering firm, 66.3 of the equity, largely non-voting, of Canadian General Securities, thus repaying the holding company for its own takeover. In addition, Traders Group has purchased 55.5 percent of the shares of another large finance company; Guaranty Trust Co. Thus McCutcheon and Chater, with an investment of about $4.3 million, exercise majority control over two large firms, each with assets in excess of $1 billion dollars.

This same tendency, of centralization of various capitals in holding companies and consequent magnification of the controlling investment, is equally evident in the two major Canadian holding companies - Power Corp. and Argus. The controlling investment by P. Desmarais in Power, valued at about $25 million, constitutes about 18 percent of Power's equity, yet gives Desmarais 53.3 percent of the Power votes. This is accomplished through an issue of participating preferred shares which carry six votes each. Meanwhile, Power owns about 34 percent of the equity, and 56 percent of the votes, of the Investors Group; about 51 percent of the equity and votes of the Imperial Life Assurance Co.; and about 27 percent of the equity and 57 percent of the votes of the Laurentide Financial Corp. The Investor's Group, in continuation of this process, owns 50.1 percent of the Great West Life Assurance Co. and 50.5 percent of Montreal Trust Co. As a result; the $25.4 million dollar investment of Desmarais in Power, provides him with majority control over five additional financial corporations, two of them in the large firm classification and three of them in the middle range, each with massive investment portfolios of their own. While the process of centralization will be more thoroughly discussed in Chapter Three the key point here is the extent to which financiers are able to mobilize the capital of others, in order to facilitate their own excercise of corporate control.

In contrast to the companies under its control, Power Corporation's investment in Argus demonstrates the reverse of the normal condition. Power owns 53 percent of the equity shares, but only 25 percent of the votes of Argus, while J.A. McDougald and associates, through ownership of common rather than preferred shares, control 61.3 percent of the Argus votes with a 31 percent equity investment. We shall more thoroughly review the extent of the Power and Argus holdings further on.

In addition to the eleven large firms controlled by holding companies, fourteen middle range firms also come under this form of control. Particularly among the upper reaches of the middle range firms, this form of ownership is prevalent; with Domtar under the control of Argus Corp., Consolidated-Bathurst, the Investor's Group and Imperial Life and Laurentide Finance controlled by Power Corp., and John Labatt Ltd. controlled by Brascan. While some firms in the lower half of the middle range are also cont r olled by holding companies, (for example Dominion Stores, Hollinger Mines, Dominion Glass and Denison Mines), this section of firms tends to be directly dominated by individual capitalists or else capitalist families.

Family Firms

The extent to which family capitalism continues to thrive within the Canadian economy is witnessed by the large number of companies which for continuous generations are dominated by the same families. Among the large firms, Eatons of Canada, Wood Gundy, G. Weston Ltd., Seagram's and the Irving companies are clearly identifiable family firms. Family firms are even more evident in the middle range. Under minority family control we have for example: Simpson's Ltd., under the control of the Gundy, Scott and Burton families; Molson Co's controlled by the Molsons family; Crown Trust Co., controlled by A.A. McMartin and his cousin, J. McDougald; M. Loeb Ltd. under the control of the Loeb family; Ivaco Industries under the control of the Ivanier family; Southam Press Ltd., which continues to be under the control of the Southams; and Canadian Corporate Management, controlled by Walter Gordon and his family. In all, seventeen of the middle range firms are under direct minority control by single families.

Six middle range companies are directly majority controlled by individual families. Among the most important of these are: Steinberg's Ltd.,controlled by the Steinberg family; Canadian Tire under the control of the Billes family; Seco-Cemp Ltd., which is almost entirely owned by the Bronfman's; and the Oshawa Group, in which the Wolfe family owns all voting shares. One middle range firm, James Richardson and

Sons continues to be privately owned by the Richardson family of Winnipeg.

Several important companies in the 'small firm' classification are also family dominated. Among these we could list Sobey Stores Ltd. and Koffler Stores Ltd., under the respective control of the Sobey and Koffler families; Banister Continental, controlled by the Banister family; B.C. Sugar Refinery, controlled by the Rogers family; Warnock Hersey, under the control of the Thomson family; and Teck Corporation, controlled by the Keevil family.

The location of many of the family dominated firms within the middle range, rather than the 'large firm' classification, does not reflect upon the size of the capitals invested in these firms. For example, the value (1975) of the Steinberg family's shares in Steinberg's Ltd., is about $73 million dollars. Similarly, the Molson family owns in excess of $53 millions of stock in Molson Co's., while members of the Billes family own shares in Canadian Tire valued at $89 millions. Family investment remains high in the family dominated firms within the 'small firm' classification. The Roman family owns about 15.5 millions worth of stock in Roman Corp., while the value of the Bronfman family's shares in Carena-Bancorp is about $22.3 millions.

Individual and Associate Capitalists

In addition to the large number of corporations which are controlled by holding companies, or continue to exist as family firms, several major firms are under the control of individual or associated capitalists. The major holding companies themselves - Argus, Brascan, and Power Corporation - are controlled by either individual capitalists, as is the case with P. Desmarais and Power Corporation; or associated capitalists in the case of the Jonlab partners (J.H. Moore, N.E. Hardy, and J.B. Cronyn) and Brascan Ltd., and the Ravelston partners and Argus Corp.

While none of the companies classified as 'large firms' are controlled by an individual capitalist, several of the middle range corporations demonstrate this particular sort of ownership. Among the most important of these are three large construction firms, Campeau Corp., Deltan Corp. and S.B. McLaughin Associates, controlled respectively by R. Campeau, R. Prusac and S. McLaughlin; three major financial companies, Trust General du Canada, controlled by J.L.Levesque, the Hamilton Trust controlled by M. de Groote, and G.S. Mann's Unicorp Financial Corp.; three significant manufacturing companies, Burns Foods controlled by R. Webster, Dominion Textiles, controlled by D. Sobey and Hugh Russel Inc., controlled by A.D. Russel; and the prominent publishing firm McLean-Hunter, under the control of D.F. Hunter.

Among the associated capitalists, the Nova Scotia investor J.J. Jodrey occupies a prominent position. He participates in the control of the Crown Life Insurance Co. with the Burns family, the Algoma Central Railway with the Jackman family, and Halifax Developments in partnership with the Sobey family, in addition to owning a large block of shares in National Sea Products. Jodrey's principal corporate affiliation however is to Minas Basin Pulp and Power Ltd., a private company which he individually owns. Other firms not already referred to, which are controlled in partnership are; the private publishing firm F.P. Publications owned by R.H. Webster, the Sifton and McConnell families and R.S. Malone; Group Prenor, a prominent holding company controlled by Lorne Webster (a nephew to R.H. Webster) and R.M. Ivey; Dana Developments, controlled by J. Poole and G.R. Dawson; Oxford Developments, controlled by Poole and D.H. Love; Revelstoke Co's., under the control of G. Berkhold and D. Curry; and, the Grafton Group, operator of the Woolco and Maher Shoe chains, and controlled by J.W. McCutcheon and G.R. Chater. These firms do not exhaust the list of companies controlled by associated capitalists.

Financial Institutions and the Issue of Financial Control

A number of analyses have suggested that the development of corporate capitalism has been accompanied by the predominance of financial capitalists over their industrial counterparts and consequently that corporate control has shifted into the trust accounts and investment departments of the large financial institutions.[14] This issue bears particular importance to Canada, where, it has been suggested, the development of dominant financial capitalists was ensured by the position of the Canadian economy in the development of first British colonialism, and second, American imperialism.[15]

While it is apparent from the number of companies listed in Appendix I in which a dominant shareholder is identifiable, that banks, financial institutions do not exercise widespread corporate control based upon stock ownership, the general issue of financial control is more complicated than this. First, a large part of the total assets of the chartered banks exist as business loans. While the lending of capital to corporations is a matter of mutual benefit, the dependence of particular corporations on institutionally provided capital, and the centralization of capital within the large financial institutions obviously lends to these institutions some leverage in the decision making processes. Secondly, the banks, insurance companies and trust firm are not the only vehicles through which financial capitalists penetrate the corporate economy. Let us review some of the issues in this debate.

Frank and Libby Park set forth the proposition that

> it is through the control of financial institutions that the financial groups maintain their control of the wealth-producing companies... At the centre of this financial and corporate structure lies the chartered banks...the trust companies, the life insurance companies, the loan and mortgage companies, the investment trusts...all in control of vast assets and contributing to the ability of the financial oligarchy to control the economy of the country. 16

In a recent article entitled "Who Controls Canadian Capitalism" Professor Jorge Niosi claims that the position of financial capitalists in the Canadian economy is no where near as predominant as the Parks have suggested. He bases his argument in the first place on the role played by investment dealers during the merger movement of the early twentieth century, and contends that it was only on rare occasions that these dealers ended up in control of the companies they re-organized. Secondly, he suggests that stock ownership data indicate that financial institutions either own little stock, in the case of banks and life insurance companies, or else, in the case of open and investment companies, "do not seek control over the companies in which they own shares."[17]

There can be little disagreement that the investment bankers', whether or not one accepts Niosi's position on their earlier role, do not occupy the prominent positions which Alfred E. Ames and James Gundy once did within Canadian capitalism. The role which Niosi designs to contemporary financial institutions however, is not so immediately apparent. He presents as evidence for his argument,

> chartered banks hold little stock...At the present time banks place no more than one per cent, at most, of their assets in corporate securities, and this small proportion is tending to decrease. 18

To support his argument that open ended investment companies "do not seek control" Niosi claims to examine the investments of the Investor's Group companies and the distribution of Investor's directors. He says here:

> Investors has no directorships in common with Massey-Ferguson (of which the group owns 9.6 percent of the voting shares, Dominion Stores (4.8 percent) Dofasco (4.6 percent) Molsons Co.s (4.2 percent)... In short, Investors distribution of its directors is unrelated to the distribution of its investments. 19

The fact that corporate securities form only a small fraction of bank assets (though the correct figure is about 2.1 percent (1976) an increase from 1.7 percent in 1967), does not mean that the banks "own little stock". The ten chartered banks in 1976 held about $2.6 billions in corporate securities, while the six largest life insurance companies (including mutuals),held another $1.4 million of stock. Banks however are restricted by the Bank Act from owning more than 10 percent of a companies shares if this requires an investment of $5 million. As securities commission reporting procedures do not require holders of less than 10 percent to report their share ownership, none of the companies in this study have reported banks as major shareholders. The size of their portfolio however, indicates that banks are sizable shareholders, if less than 10 percent, in a number of companies. To cost the combined stockholdings of banks in perspective, a block of 9.9 percent of the shares of all of the management controlled parent firms in this study, would not constitute one-half of the $2.6 billion in shares held by banks.

Life insurance companies on the other hand, are not required to restrain their stockholdings to 10 percent. Only one of the companies in this study however, Oxford Developments Ltd., reports 10 percent of its shares as held by life insurance companies. It is likely that the life insurance companies, like the banks, have holdings of less than 10 percent in a vast number of companies, though the $1.4 billion portfolio of the large six suggests that in a number of companies their holdings are likely to be relatively large.

Niosi's account of the relationship between corporations and open-ended investment firms is entirely erroneous. Investor's Group for example, <u>in almost every case</u>, shares directors with the corporation in which it owns large blocks of stock. At the time to which Niosi points, Investors owned 2.6 percent of Massey-Ferguson, 3.8 percent of Dofasco and 2.8 percent of Dominion and not the percentages which Niosi indicates. Moreover, the companies in which Investors Group has large investments are companies with which the company, or its parent Power Corporation, share directors. For example, Investors shares a director with U.K. controlled Anglo-American Corp. of which it owns 9.4 percent, Consumer's Gas (3 percent), Inco (2.9 percent of the 'A' shares) and Kaiser Resources, while a director from Power sits on Canadian Pacific in which Investors owns 2.5 percent.

Another open ended fund, Canadian General Investments demonstrate the same pattern. Outside of its investment in Argus, Canadian General Investments' two principal investments are in Algoma Steel and Canadian Tire. M.C.G. Meighen, minority owner of Canadian General Investments and one other C.G.I. director, sit on the board of Algoma Steel while A.E. Barron, president of C.G.I., is chairman of the board of Canadian Tire. Over neither of these firms does Canadian General Investments exercise control, as Algoma is controlled by Canadian Pacific and Canadian Tire is under the majority control of the Billes family. What is most likely the case with both Canadian General Investments and the Investors Group, is that recognition of the large blocks of shares which they own, has resulted in them being brought into the control group. In Algoma Steel, Canadian Tire and Kaiser Resources the position of these funds is clearly on the periphery of the respective controlling interests, while in the case of Canadian Pacific, the position of Investors may in fact be closer to the centre of control.

The principal vehicles through which financial capitalists exercise corporate control are neither banks, insurance companies nor investment funds. Instead, it is through a small number of holding companies, which like the other financial institutions centralize large amounts of other people's capital, that financiers dominate a large number of companies. Three major holding companies, Brascan,[20] Power Corp. and Argus, control ten of the fifty five largest companies under Canadian control.

To the holding company, or more accurately to the financiers who control these companies, other enterprises exist as companies from which earnings can be drawn. Financial capitalists can, without undertaking a single entrepreneurial endeavour, create large financial and industrial empires. Other companies become, as Clement has pointed out, "commodities to be bought and sold", while the earnings drawn from these controlled companies contribute to further expansion of the financier's empire.

Summary

The majority of Canadian companies, and a majority of corporate assets, are not controlled by professional managers. The dispersion of shares has not, in most cases, removed the capacity of an individual capital to dominate the firm. A number of key Canadian corporations remain under the control, either majority or minority, of capitalist families, or else are controlled by individual or associate capitalists.

Playing a prominent role in the control of Canadian enterprise are the major holding companies which operate in various sectors of the economy. While the family firms have involved large investments of family capital, the holding companies have, with a minority of initial investments, brought large numbers of companies and vast corporate assets under the central control of a few key individuals.

The managerially controlled firms are highly integrated into the larger part of the corporate economy, an economy dominated by private pools of capital. These firms are major outlets for investment by large capitalists, and at the same time are directed, and presided over by, the same social fractions which own, and oversee the owner-controlled firms. The relationship of Canadian capital to these firms very much resembles its relation to foreign-controlled firms. In both cases Canadian capitalists operate in a rentier fashion, and in both cases, the respective firms tend to be concentrated in the industrial sectors.

Notes to Chapter Two:

1. The Irving family companies are not a single enterprise. They are a collection of companies privately owned by the K.C. Irving family of New Brunswick. As a result of their provincial charter, they are not required to report to the Dept. of Consumer and Corporate Affairs. The estimate of the Irving family company assets is taken from the estimation of the Royal Commission on Corporate Concentration.

2. Agricultural associations include the United Grain Growers Ltd. and the Societe Agricole de Granby.

3. A Berle and G. Means, op. cit., p. 75.

4. E.P. Taylor for example, with eight percent of the equity stock (of Massey Fergusson Ltd.)...managed to displace nine of the sixteen directors and replace them with his "own nominees." Newman, op. cit., p. 34.

5. See R. Larner, op. cit., 1972, pp. 10-11.

6. Ibid., p. 3.

7. See Berle and Means, op. cit., pp. 69-75.

8. J.A. McDougald died March, 1978.

9. Jonlab Investments is a private investment company in which J.H. Moore owns 13 percent and N.E. Hardy and J.B. Cronyn own another 13 percent. Brascan owns 99 percent of the non-voting preferred shares.

10. The Financial Post Survey of Funds, 1976. Power subsidiaries mentioned include the Investors' companies, Imperial Life, Great West Life, Montreal Trust and the Provident Stock fund.

11. Research Bulletin of Nesbitt Thomson Securities, August 10, 1977.

12. Upper and middle class are determined by the same methods used by Clement in Canadian Corporate Elite, pp. 144.

13. Financial companies include holding, investment, trust, insurance and sales finance companies.
    Transportation and Utilities refer to electrical utilities, telephone companies, transportation and pipeline companies.
    Manufacturing firms include food and beverage companies, textile firms and steel producers.
    Mining, Gas and Oil includes metal and non-metallic mining companies, gas utilities and oil companies.

13. continued...

Forest Products companies are chiefly pulp and paper producers.
Media companies include publishing and broadcasting firms.
Real Estate includes primarily construction firms.

14. See for example, R. Fitch and M. Oppenheimer, "Who Rules the Corporations" in Socialist Revolution Vols. 4-7.
and S. Menshikov, Millionaires and Managers, (Moscow,1969).

15. See for example R.T. Naylor, The History of Canadian Business (Toronto) and Clement, 1975, pp. 67-68.

16. F. Park and L. Park, The Anatomy of Big Business, (Toronto, 1962).

17. J. Niosi, "Who Controls Canadian Capitalism", in Our Generation, Vol. XII no. I, p. 25.

18. Ibid., p. 22.

19. Ibid., p. 25.

20. Brascan's role as a holding company becomes increasingly evident as the company continues to disinvest in Brazil and diversify in Canada. At present Brascan controls, among others, J. Labatt Ltd., Hudson's Bay Co., Laura Secord Candy Shops, Chateau Gai Wines, and Ogilvie Mills, as well as having recently bought a 9 percent block of the London Life Insurance Co.

Chapter Three

Centralization of Corporate Control

While we have seen in Chapter Two that the majority of Canadian controlled corporations remain under the administration of those who own them, this in itself does not fully reveal the nature of corporate control. This chapter shall briefly examine a further aspect of the control of corporations; the extent to which a small number of large concentrations of wealth penetrate the corporate structure.

It was stated earlier that stock companies bring together, or centralize, the various private capitals, and weld them into the productive unit. Marx argued in Capital that centralization was an expected development within capitalist economies, accomplishing what simple extended accumulation could only have accomplished through a much longer period, and at the same time, accelerating the pace of accumulation.[1] This movement toward centralization finds various expressions; mergers, takeovers and as we discussed earlier, holding companies, all of which in Canada have contributed to what has become the predominance of relatively few large pools of private capital.

As private pools of capital expand, their owners are faced with the problem of finding new outlets for investment.

Two sets of alternatives are presented. On the one hand, the profits of accumulation can be invested in the continued expansion of the original enterprise or else in the creation of new firms. The problem with this sort of re-investment, is that the expansion of productive capacity must in every case be met by expanded, or else potentially expanding markets.

The second means by which capital can be re-invested, in a manner which lacks a large measure of the element of risk associated with the former method, is investment in already existent firms. This latter method of investment tends to bring a large number of firms under the common control of fewer capitals,and this tendency toward centralization appears to adopt two different directions. On the one hand there isaa clear tendency of corporations toward the 'horizontal' integration of competing companies and toward the 'vertical' integration of firms which occupy differing stages in the entire cycle of business in which one is engaged. Thus George Weston Ltd. has either taken over or invested heavily in a number of formerly competing companies engaged in the production and distribution of food products; while Eaton's of Canada owns the company which finances its sales, the T. Eaton Acceptance Co., as well as the firm which owns and leases Eaton's properties, the T. Eaton Realty Co. The Hudson's Bay Co. also owns a large real estate firm, Markborough Properties, while Simpson Ltd. owns a large block of stock (7.7%) in S.B. McLaughin Associates, a prominent land development company. Like Eaton's, Simpson's also owns a large sales finance firm, the Simpsons Acceptance Co.

A second apparent direction which centralization takes comes as a result of the diversification of investment. The investment of an entire capital in a particular firm or a particular industry, is to the capitalist, and it is through his eyes that we must view the situation, an unsatisfactory arrangement. As we noted earlier, diversification decreases the degree to which an individual capital is dependent upon earnings from a singular industry. In some cases,the diversification of investment by the capitalist class as a whole has resulted in firms in which no individual investment is large enough to exercise control. At the same time however, diversification has operated to bring a number of different firms, in a variety of industries, under common centres of control.

The most striking examples of this tendency toward drawing earnings from a number of industrial sectors are provided by the penetration of holding companies into the corporate economy. The three major holding companies, Power Corporation, Brascan and Argus, control nineteen of the other companies in this study. Power Corporation and the companies under its control, comprise ten of the firms in the study bringing the corporate assets controlled by P. Desmarais to about $6.35 billions.

Brascan and its subsidiaries constitute another six companies with combined assets of about $3.8 billions while sharing control of a seventh firm, Canada Malting Co. Ltd.

with the Molson Co's. At the same time, Jonlab Investments, the private investment firm through which Moore, Cronyn and Hardy exercise control over Brascan, owns a controlling interest in three additional firms - Commerce Capital Corp. and its subsidiary the Farmers and Merchants Trust, as well as Canadian Cablesystems Ltd.

The Argus group of companies provide the members of the control group - J.A. McDougald, M.C.G. Meighen, A.B. Matthews and the Black family - with control of six of the companies included in this study with combined assets of $3.3 billions. But the corporate control exercised by the Argus families extends beyond the companies controlled through Argus. M.C.G. Meighen controls two additional firms included in this study - Canadian General Investments Ltd. and the Canada Trustco Mortgage Co. - with combined assets of $2 billions. McDougald at one time had voting control of Crown Trust through the estate of his uncle D. McMartin, an estate now voted by McDougald's cousin A. McMartin. The Black family owns a publishing firm, Sterling Newspapers Ltd., with unpublished assets.

The 1975 bid by Power Corp. to take over Argus, further revealed the extent of the Argus network. In order to completely guarantee the success of the Ravelston partners in maintaining control of Argus, McDougald bought two large blocks of stock which increased Ravelston's holding in Argus from 44.9 to 60.1 percent. One group of shares was purchased from the

McCutcheon family* which, in combination with G.R. Chater, controls four of the companies listed in Appendix I, with total corporate assets of $2.2 billions. The second block of shares was purchased from the Jackman family, following which H.N.R. Jackman joined the board of Argus. The Jackman family controls an additional five companies, with combined assets of $1. 8 billions,led by the Victoria and Grey Trust Co.

Holding companies are not the only pools of capital which draw earnings from diverse sources. The Bronfman family controls four of the thirty-eight firms in the large division, Seagram Co., I.A.C. Ltd., Cadillac Fairview and Trizec Corp.; two middle range firms, Seco-Cemp and M.I.C.C. Investments; and five of the small companies. Carena-Bancorp., Warrington Products, Multiple Access Ltd., the Sovereign Life Assurance Co. and Mico Enterprises. The assets of these firms total $6.97 billions, constituting 6.8 percent of the total assets of firms contained in the study.

Another six firms come under the control of the Webster family, including F.P. Publications, Burns Foods, Monarch Life Assurance and Ronalds Federated under the control of R.H. Webster; and Group Prenor and the Northern Life Assurance Co. controlled by L.C. Webster. The Eaton family, in addition to their above mentioned firms control the Eaton Life Assurance Co., and exercise joint ownership[2] and control over Baton Broadcasting with the Bassett family.

*previously held by the late Wallace McCutcheon, a former partner in Argus.

As an overall meaurement of the degree to which corporate control is exercised by a small number of private capitals, thirty families or individual capitalists together control 87 of the 259 companies listed in Appendix I. The 87 companies listed have combined assets of $41.1 billions, comprising 40.3 percent of the combined assets of companies included in the study, and 76.4 percent of all assets under some form of ownership control.

In short, there is neither a lack of private pools of capital in Canada, nor, in particular sectors, is there a lack of "bigness". Instead there are a number of large pools of private capital which exercise control over a much larger number of corporations. Smaller capitals meanwhile, are either crowded into the most competitive sectors - in particular, the retail and service sectors - or else are invested in various firms controlled by the larger capitals.

The Structure of the Propertied Class

The thesis thus far has not extensively commented on the various segments of the propertied class. It was suggested earlier that managers form a part, though clearly a subordinate one, of the propertied class and that a large number of small investors exist completely peripheral to corporate decision-making. These remarks deserve further elaboration.

We can distinguish three primary layers of the share-owning class. These layers do not exist simply as analytical notions but reflect accurately the relations of power which have developed in corporate capitalist economies. The first of these, unquestionably, is the group of very large share owners (or in the case of private firms, simple proprietors) who either directly participate in the highest levels of decision-making, or else hold sufficient stock to require that they be taken into account in major decisions. This group most directly corresponds to the traditionally conceived capitalist class.

A second layer exists within the corporate organization and specifically within the managerial strata. While the managerial personnel of a corporation includes those from the highest ranking executives down to the shop floor supervisor, it is the former with which we are interested. As was argued earlier these senior corporate officials tend to own substantial amounts of corporate stock and a significant portion of their income is derived through earnings on investments. This group forms a sub-fraction of the dominant propertied class, not simply as a result of its position of relative power with the corporations but also because the interests of the group are brought to converge with those of capitalist.

The most common means through which this coalition of interests is accomplished is through stock-option plans. The purchase of company shares provides managers with an incentive to increase the value of his company's stock and transforms him, albeit at a junior level, into an investor. It is difficult to know the full extent of managerial shareholdings, as once stock options are exercised shares are often sold,[3] and it is impossible to discover whether the money is re-invested. Fifty-four executives of the five largest firms under management control owned an average of $53,500 of the parent company stock, while nineteen executives in the five largest owner controlled firms,* owned about $36,300 each in their company's shares. A study by the Conference Board of Canada[4] of 58 firms offering stock option plans, indicates that the individual's rank within the corporate structure is the principle determinant of who receives stock options. Thirty-four of the 58 firms offering stock option plans, indicates that the individual's rank within the corporate structure is the principle determinant of who receives stock options. Thirty-four of the 58 firms indicated that stock options are instituted "to give personnel the feeling they are part of a select group."[5] Within the hierarchically ordered division of labour then, the highest-ranking employees are "brought over" onto the side of capital. The senior managers, whose principal responsibility is to oversee the activities of middle level management, do not constitute a group which, as Berle and Means suggest, 'opposes' owners. Rather they occupy an intermediary position between capital and the firm's employees.

The capitalist class is sufficiently permeable to allow the most successful of top corporate officers into its ranks.

*excluding life insurance companies

Possibly the most striking examples of this permeability is provided by D.G. Willmot, Chief Executive Officer of Molson Co's. Willmot "received some $10 millions' worth of Molson stock yielding $35,000 in annual dividends,"[6] when the Molson family recruited him in 1968. With an associate, G.E. Mara, he has since taken over the middle range holding company Jannock Corp.*

The third, and numerically the largest group of shareholders, are the small rentiers who own insufficient shares to influence corporate policy. Small shareholders in effect, while they may be formal owners of a corporation, are simply part of the process of internal generation of funds.

Conclusions

The thesis has attempted to point to the particular social group which exercises control over Canadian corporations. The argument has been made that control over Canadian firms has not passed from the hands of a propertied class, that is the dominant owners, into the offices of professional, largely unpropertied, managers. Corporate capitalism, it has been noted, has not severed the ties of ownership from corporate control, that is, the relation between proprietor and property has not been fundamentally altered in a manner detrimental to the interests of corporate owners.

This does not mean that the "functioning capitalist", the capitalist who fully participates in the day to day management of his enterprises, is a characteristic expression

*an amalgamation of Glengair Finance Co. and the Atlantic Sugar Refineries Ltd.

of the role of contemporary capitalists. The activities of the modern corporation are generally supervised by a platoon of specialists. A number of these specialists are located within the upper reaches of corporate management, the various corporate executives and departmental heads. Still more specialists are recruited from external bodies (legal, accounting, or engineering firms), which lend particular areas of expertise to the corporation. While dominant owners, in a majority of occasions, occupy positions on the board of directors and exercise control over the selection of both directors and senior officers, the task of daily supervision of corporate activity is the responsibility of the highest levels of management.

What then becomes the relation of senior managers to the large share-owning class? On the one hand, both groups perform the "functions of capital" in that they undertake to organize and supervise capitalist production. At the same time however, there is a clear delineation of power between the dominant owner and the corporate executive. The owner, exercising the power of property, "purchases" the advice and supervisory capacity of experts and corporate executives and enjoys the legal right to dispense with these services.

This is not to say that high-ranking officers are generally treated to vulgar displays of legal power. Rather, the interests of the highest levels of management are arranged to coincide with those of owners to a considerable extent.

Economy and Ideology

The critical element of the managerial argument is the ideological nature of its presentation of corporate capitalism. The alleged wresting of corporate control by professional managers from the hands of the capitalist class explicitly denies the considerable powers which continue to be attached to the possession of private property. The modern corporation, in which vast economic power is concentrated, is not engaged in a historical development in which its activity becomes divorced from the interests of private property. It is instead the instrument through which various private capitals seek to expand.

The managerial argument is itself a part of a larger theoretical tendency which entirely downplays, or denies, the position of the propertied class in corporate capitalism. Thus Talcott Parsons, for example, does not hesitate to suggest,

> high progressive taxation, both of incomes and estates, and changes in the structure of the economy, have 'lopped off' the previous top stratum.... The basic phenomenon seems to have been the shift in control of enterprise from the property interests of founding families to managerial and technical personnel... This critical fact underlies the interpretation that what we may call the 'family elite' element of the class structure hold a secondary position. 7

This 'lopping off' of the 'top stratum' has resulted, Parsons contends, in

> business firms...(characterized by)...a 'pluralism of goals' so that there are no overriding system goals to which all activity in the system must be conceived to be oriented. 8

While it is evident that capitalists invest large amounts of capital in firms controlled by other interests (including corporate managements), this does not infer that capitalists attach little significance to corporate control. The large number of firms in which the voting rights attached to various stock issues are entirely disproportionate, evidences the importance attached to the ability to exercise control. In addition, the large number of firms under the control of a clear ownership interest indicates that capitalists are in fact, in the interest of overseeing their investments, capable of instructing corporate activity.

In short there has not been a 'lopping off' of capitalist families in the Canadian corporate economy. Nor has the activity of corporations been re-organized to benefit interests other than those of capital.

Notes to Chapter Three

1. K. Marx, <u>Capital</u> Vol. 1 (New York, 1906) see pp. 686-689.

2. Baton Broadcasting Ltd. is controlled by the Telegram Corp., a trust set up by the Eaton family for the Eaton and Bassett heirs.

3. As a brief example here, L.H. Doering a vice-president of Stelco exercised a stock option on October 4/73, buying 2200 shares at $18.75 and selling 2100 at $32.125 and the other 100 at $32.25. Doering's one-day net profit was $29,437 which he did not use to buy Steel Co. shares. On July 3 of that year, Steel Co. Chairman J.P. Gordon had exercised his option, buying 7,000 shares at a cost of $164,000. He sold 6,300 of these shares for $196,875, making a $32,875 and 700 share profit. Doering and Gordon own only 200 and 5200 shares respectively in Steel Co. and it is likely that they have investments in other firms.

4. <u>Stock Option Plans</u>, published by the Conference Board of Canada, (Ottawa, 1973).

5. <u>Ibid</u>., see Table 3 and Table 4.

6. P. Newman, <u>op. cit</u>., p.

7. T. Parsons, "A Revised Analytical Approach to the Theory of Social Stratification" in R. Bendix and S.M. Lipset (ed.), <u>Class Status and Power</u> (Glencoe, 111., 1953) p. 123.

8. ~~<u>Ibid</u>., p. 112.~~

APPENDIX I

Ownership and Control of Canadian Controlled Firms, 1975
Ranked by Assets

Large firms

Rank	Company	Assets (000's)	Type of Control: Initial	Type of Control: Final	Remarks and Source[1]
1.	Bell Canada Ltd.	6,588,298		management	Directors and officers hold less than .5%. Listed funds hold 4.1%. 3.9% outside Canada.
2.	Canadian Pacific Ltd.	6,235,832		management	35.9% outside Canada. Listed funds hold 6.1% including 2.6% held by subsidiaries of Power Corp. 1 Power director on board.
3.	Canadian Pacific Investments Ltd.	3,510,563	majority	management	Canadian Pacific holds 85.1%.
4.	Royal Trust Co. Ltd.	3,435,709		management	Directors hold about 2%. Listed funds hold 2.5%. (Q.S.C.)
5.	Inco Ltd.	3,025,675		management	52.4% held outside Canada. Directors own about .2%. Listed funds hold 4.2% of which Power Corp. subsidiaries constitute 1.6%. 1 Power director on board.
6.	Alcan Aluminium Ltd.	3,011,781		management	55.8% held outside Canada. Directors hold .2%. Listed funds hold 2.9%.

7.	Canada Trustee Mortgage Co.Ltd.	2,626,301	minority	minority	Meighen family through Canadian General Investments and subsidiary holds 15%.
8.	London Life Ins. Co.	2,393,256		minority	Jeffery family investment company holds 37%. Company is probably majority controlled but is exempt from reporting. (ICO)
9.	I.A.C. Ltd.	2,390,847	majority	minority	Carena-Bancorp, controlled by Bronfman family holds 19.4%.
10.	Brascan Ltd.	2,247,337	minority	minority	J.H. Moore and associates hold 11.2% through Jonlab Investments. (August 1975).
11.	Great West Life Assurance Co.	2,207,604	majority	majority	Investor's Group holds 50.1% (F.P.I.)
12.	Seagram Co. Ltd.	1,991,314		majority	Bronfman family trusts own about 32.6%. Through Seco-Cemp.
13.	Massey Ferguson Ltd.	1,982,026	minority	majority	J.A. McDougald and associates own 16.4% through Argus Corp.
14.	Noranda Mines	1,707,296		management	Argus subsidiaries own 10.7% but share no directors. Listed funds hold 6.1%. 8.6% held outside Canada. Directors and officers hold .5%.
15.	Aluminum Co. of Can.	1,697,151	majority	management	Alcan Aluminium holds all voting stock.

16.	Steel Co. of Can.	1,678,261		management	Listed funds hold 10.4%. 3.3% held outside Canada. Directors and officers own .4%.
17.	Trans-Canada Pipe-lines	1,500,794	minority	management	Cdn. Pacific Investments holds 16.5%. Listed funds own 11.9%.
18.	Victoria and Grey Trust Co.	1,295,755	minority	minority	Jackman family through E-L Financial Corp. controls 16.7%.
19.	G. Weston Ltd.	1,247,681		majority	Weston family owns 58.8%.
20.	MacMillan-Bloedel Ltd.	1,197,903	minority	management	Cdn. Pacific Investments holds 13.7%. Following liquidation of the Wis-consin Corp. members of the Bloedel/Wright family hold 10.5%. Listed funds own 8.7%.
21.	National Trust	1,162,975		management	Directors and officers own 2.5%. Canada Life Assurance Co. held 9.8% in 1969 but does not report as holding less than 10%. Chm. and Chm. of Exec. Committee of Canada Life sit on National board.
22.	Eaton's of Canada	1,150,000*		private	Eaton family.*Assets estimated by Royal commission on corporate concentration.
23.	Crown Life Ins.Co.	1,137,651		minority	The Burns family (15.6) and J.J.Jodrey (12.5) own 28.1%.

24.	Guaranty Trust Co.	1,086,179	majority	majority	J.W. McCutcheon and G.R. Chater exercise majority control through Traders Group.
25.	Traders Group	1,023,755	majority	majority	J.W. McCutcheon and G.R. Chater through Canadian General Securities, hold 80.9% of voting shares.
26.	Dominion Foundries and Steel, Ltd.	944,405		management	J.D. Leitch, a director, owns about 5%. Directors as a group hold 5.2%. Listed funds hold 14.4%. 3% held outside Canada.
27.	Cadillac Fairview Corp.	921,175		minority	Bronfman family through C.E.M.P. owns 36.2%. McCutcheon and Chater through Canadian General Securities, hold 6.3%. C.E.O. owns 6.7%.
28.	Norcen Energy Resources Ltd.	915,754		management	Power Corp. held 10% until 1970. Companies controlled by Power, hold 3.2% and shares 2 directors with Norcen. Listed fund (including Power subsidiaries)hold 9.5%. 5.1% held outside Canada, 3 U.S. directors.
29.	Hiram Walker-Gooderham & Worts Ltd.	913,166		management	21.5% outside Canada.4 U.S. directors. Listed funds hold 7.1%. Hatch family holds about 1%.
30.	Trizec Corp.	899,714		majority	Joint UK/CAN control. A voting trust holding shares of Bronfman family and Eagle Star Ins.Co.(UK) to be voted by Bronfman controlled Carena-Bancorp, holds 51.5% (F.P.I.)

31.	Irving Companies	870,924*		private	*Assets of K.C.Irving family companies estimated by Royal Commission on Corporate concentration.
32.	Abitibi Paper Co. Ltd.	870,924		management	Listed funds hold 6.5%. Directors and officers hold about 1%. 7.9% held outside of Canada.
33.	Algoma Steel	850,601	majority	management	Cdn.Pacific investments owns 51% (F.P.I.)Listed funds hold 7.8%.
34.	Hudson's Bay Co.Ltd.	821,895	minority	minority	J.H.Moore, through Brascan holding company and directly controls about 7%,sits on HBC board with 1 Brascan/1 Labatt's director.
35.	Wood Gundy Ltd.	782,592		private	C.L.Gundy-Scott family.
36.	Montreal Trust	767,717	majority	majority	Investors Group holds 50.5%. Bank America Corp. (U.S.)holds 20.2% (FIP).
37.	Cominco Ltd.	765,717	majority	management	Cdn. Pacific Investments holds 54%.Listed funds hold 5.3%.
38.	Calgary Power Ltd.	759,615		management	Listed funds hold 13.2%.

Middle Range Firms

39.	Consumers Gas Co.	740,679		management	Listed funds hold 6%.2.9% held outside Canada. Directors hold less than 1%.

40.	Moore Corp.	737,153		management	27.2% held outside Canada and successive directors from the Lamson House (UK)have sat on board. Listed funds hold 7.8%
41.	Imperial Life Assurance Co.	736,994	majority	majority	Power Corp.holds 51.2% of voting stock(F.P.I.)
42.	Loblaw Co's.	730,708	majority	majority	G. Weston Ltd. holds 80.1%.
43.	Domtar Ltd.	721,368	majority	majority	Argus Corp.holds 16.9%. Other listed funds hold 7.4%.
44.	Consolidated Bathurst Pulp & Paper Ltd.	662,369	minority	majority	P.Desmarais through Power controls 38%.Associated Newspaper Group (U.K) holds about 12.9%.
45.	Investor's Group	636,038	majority	majority	Power Corp. and its subsidiaries holds 79.2%. Directors hold about 4.5% of which 3.9% is held by R.W.Purcell.
46.	Northern Telecom Ltd. (previously Northern Electric Co. Ltd.)	590,215	majority	management	Bell Canada holds 69.2% (F.P.I.).Listed funds hold 5.6%.
47.	Power Corporation Ltd.	579,341		majority	P.Desmarais,through holding company, holds 53% of voting shares participating preferred shares vote disproportionately.

48.	Simpson's Ltd.	562,285		probably minority	C.L.Gundy and the Burton and Scott families hold about 5% and have been represented on Simpson's board inter-generationally.Listed funds together hold 8.1%.
49.	Union Gas Co.Ltd.	509,446		management	R.M.Barford owns 2.2%. Listed funds hold 5.2%. 4.6% held outside of Canada.
50.	Campeau Corporation Ltd.	481,685		majority	R.Campeau, through dis-proportionately voting preferred shares, holds 59.1%.
51.	Oxford Developments	474,800		minority	The Poole family and D.G. Love own 18.8%. Great West Life holds 12.2% and Confederation Life holds 11.4% in trust.
52.	Laurentide Financial Corp.Ltd.	428,988	majority	majority	Power Corporation sub-sidiaries hold 57.9%.
53.	John Labatt Ltd.	426,150	minority	minority	Brascan holds about 30.9%.
54.	Molson Co.'s Ltd.	421,363		minority	Molson family directly and through holding companies owns 37.4% of voting stock.D.G.Willmot (C.E.O.)owns 11.2%.Listed funds hold 6.5% of voting shares and 8.4% of non-voting common stock.
55.	Steinberg's Ltd.	417,674		majority	Members of the Steinberg family hold all voting stock. (Q.S.C.)

56.	Eastern Canada Savings and Loan Co.Ltd.	411,973		probably minority	5 directors own about 8%.Company has merged in 1976 with another firm associated with 4 of these directors.
57.	Trust General du Canada	410,525		minority	J.L.Levesque owns 10.5% (Q.S.C.).
58.	Deltan Corp.Ltd.	390,495		majority	R.J.Prusac owns 94.7%.
59.	Pan Canadian Petroleum Ltd.	382,488	majority	management	C.P.Investments holds 87.6%.
60.	Home Oil Co. Ltd.	381,819	minority	management	Consumers Gas Co.holds 49.6%. Listed funds hold 10.3%. 6.5% held outside Canada.
61.	T.Eaton Acceptance Co.Ltd.	377,570	majority	private	T.Eaton Co. Ltd. owns all outstanding shares.
62.	British Columbia Forest Products	368,791	minority	management	Joint US/CAN control. Noranda holds 28.8%. Brunswick Pulp and Paper (US)and Mead family(US) hold 26.5% and 15.3% respectively.Company designated management controlled due to nature of Can.participant, although Mead family,half owners of Brunswick,hold equal equity.Argus also holds 6.6%.
63.	Canadian Tire Corp. Ltd.	358,516		majority	Members of the Billes family hold 50.5% of voting shares. Cdn. General Investments holds 3.3%, 1 director.

64.	Price Co. Ltd.	356,356	majority	management	Abitibi Paper holds 50.7%. Consolidated Bathurst holds 9.2%.Listed funds hold about 4.2% (Q.S.C.)
65.	Maritime Telegraph & Telephone Ltd.	354,572		management	Bell Canada owns 51.7% but is now restricted by Nova Scotia Law from voting more than 1000 shares. 1 Bell director on board.Chm. and 1 director of Maritime board are member of the Archibald family.Directors hold .3%.
66.	Dominion Textiles Ltd.	348,031		probably minority	D. Sobey,a director,owns 10.2% through Empire Co.
67.	James Richardson & Sons Ltd.	347,990		private	Richardson family.
68.	Dominion Bridge Co.Ltd.	326,994	majority	management	C.P.Investments holds 51% (F.P.I.).
69.	Commerce Capital Corp. Ltd.	315,737		minority	J.H.Moore and associates, through Jonlab Inv.,own 28.6%.
70.	Canada Packers Ltd.	310,045		management	The McLean family owns 2.9%.Listed funds hold 5.8%.Directors other than McLeans hold .3%.2.6% held outside Canada.
71.	Seco-Cemp Ltd.	306,620		majority	Bronfman family through CEMP holds all voting shares. (FPI)
72.	First City Financial Corp. Ltd.	302,455		majority	The Belzberg family holds 65.8%.Other directors own 8.4%.
73.	Bramalea Consolidated Developments Ltd.	297,143		minority	K.E.Field,a director,owns 32.3% directly and through Braminvest.J.R.Shiff (CEO) owns about 4%.

74.	Nova Scotia Savings and Loan Co. Ltd.	287,156		management	Directors own 3.3%.
75.	Monarch Life Assurance Co.Ltd.	286,826	private	probably minority	F.P.Publications holds 11.6%, 1 director. Nominee holds 10%.
76.	E-L Financial Corp. Ltd.	282,000		minority	The Jackman family, through Dominion and Anglo Inv. and directly, control 35.1%.P.S. Gooderham and family own 4.6%.Other directors hold 6.3%.
77.	City Savings & Trust Co. Ltd.	276,103	majority	majority	First City Financial Corp. holds 88.4%.
78.	Westburne International Ltd.	264,357		minority	J.A. Scrymgeour and the Atkinson family holds 45.1%.
79.	Farmers and Merchants Trust Ltd.	262,844	minority	minority	Commerce Capital Corp. holds 84.6% (F.P.I.).
80.	Group Prenor	261,453		majority	The L.C.Webster family (41.3) and the Ivey family (29.9) hold 61.2%.
81.	S.B.McLaughlin Associates Ltd.	256,462		minority	S.B.McLaughlin owns 46.6%.Simpsons Ltd. holds 7.7% and shares 1 director.
82.	New Brunswick Telephone Co.Ltd.	251,468	majority	management	Bell Canada holds 50.4%.
83.	Unicorp Financial Corp. Ltd.	248,566		majority	G.S. Mann owns 83.5%.
84.	Placer Development	241,834	minority	management	Noranda Mines holds 31.5%, directors 3.2%.Listed funds hold 7%.
85.	Dominion Stores Ltd.	240,856	minority	majority	Argus holds 23.5%, other listed funds hold 6.6%.

86.	Crown Trust Co.Ltd.	240,179		minority	A.McMartin owns 25% through family estate previously voted by J.A. McDougald.The McDougald family is reported to own a large block of shares. H.R.Cohen and L.Ellen own26.8% but are not represented on board.
87.	Oshawa Group	236,122		majority	The R.D. Wolfe family owns all voting shares.
88.	Gaz Metropolitan	218,168	majority	management	Norcen Energy holds 82%.
89.	Daon Development Corp.	209,963		minority	The J.Poole and G.Dawson families hold 48.8%.
90.	Great Lakes Paper Co. Ltd.	205,046		majority	C.P.Investments hold 58.3%. 21.5% held outside Canada, 4 non-resident directors.
91.	Argus Corp. Ltd.	204,563		majority	The McDougald/Phillips family, the Meighen family, the Black family and A.Fairley,through Ravelston hold 60.1%. Power Corp.holds 14.9%, does not share a director.
92.	Newfoundland Light and Power Co.Ltd.	193,305		management	Directors and officers hold 3.2%. 3 directors and chm.are directors of Monenco.Holdings though no ownership is reported. Listed funds hold 2.7%.

93.	Ivaco Industries Ltd.	187,983		minority	Ivanier family owns 33.6%. 2 other directors hold 22.5%.
94.	Nu-West Development Corp. Ltd.	187,143		majority	C.J.McConnell and R. Scurfield hold 62.6%.
95.	Canron Ltd.	182,716		management	Listed funds hold 11.3%. 1 former director holds 6.8%. Present directors hold 1.3%.
96.	Acklands Ltd.	181,240		majority	Wolinsky, Bessin and Starr families own 57.5%.
97.	Kelly Douglas	173,478	majority	majority	G.Weston Ltd. holds 70.8%.
98.	Lincoln Trust	165,901		minority	Directors hold 21.1%.
99.	Mattagami Mines	163,650	majority	management	Noranda Mines holds 61.2%.
100.	Ogilvie Mills Ltd.	161.091	majority	minority	John Labatt Ltd. holds 99.8%.
101.	Sterling Trust Corp.	159,387		minority	Petersen family owns 32.8%.
102.	Denison Mines Ltd.	158,161	minority	minority	S.Roman controls 27.5% through Roman Corp. and owns 4.3% directly.
103.	Hamilton Group	152,351		minority	Young family owns 42.7%. Citicorp (U.S.)holds 34.8%.
104.	Hamilton Trust & Savings Corp.	152,060	minority	minority	Laidlaw Transport Ltd., controlled by M. de Groote, holds 36.9%.
105.	M. Loeb Ltd.	150,568		minority	Loeb family holds 16.7%, 3 directors. G.Weston Ltd. holds 18.7% but does not share a director.
106.	Hollinger Mines	147,789	minority	majority	Argus Corp. holds 21.8%.

107.	Block Bros. Industries Ltd.	146,767		minority	Block family holds 17%. Other directors hold 3.2%.
108.	Finning Tractor Ltd.	146,641		majority	Barker and Young families hold 70.2%.
109.	Southam Press Ltd.	144,784		probably minority	Southam family owns 8.5%.
110.	Markborough Properties Ltd.	142,105	majority	minority	Hudson's Bay Co. holds 64.3%.
111.	F.P. Publications Ltd.	142,000		private	R. Webster owns 22.5% and is trustee for Bell Foundation (22.5%).Mc-Connell family own 25%, Sifton family 22.5% and R.S. Malone 7.5% (ICO).
112.	Hugh Russel Inc.	137,422		minority	A.D.Russel owns 19.1% other directors hold 6.1%.
113.	Northern Life Assurance Co. Ltd.	135,619	majority	majority	Group Prenor controlled by Webster and Ivey families, holds all shares.
114.	Burns Foods Ltd.	135,427		minority	R.H. Webster holds 42% of stock. A.J.Child (CEO)holds 4%.
115.	Fraser Co's Ltd.	130,080	majority	management	Noranda Mines subsidiary holds 54.6%.
116.	Canadian Corporate Management Ltd.	130,074		minority	The family of Walter Gordon owns 15.2%.L.C. Bonnycastle (vice-chm.) V.Stock (Pres.)and director B.Rieger together hold 9.9%.

117. Realty Capital Corp. Ltd.	125,740		majority	Ades family owns 75.9%.
118. MICC Investments Ltd.	124,982		minority	Bronfman family through Edper owns 22.1%.
119. Simpsons Acceptance Co. Ltd.	121,986	majority	minority	Simpson's Ltd. holds all outstanding shares, (F.P.I.).
120. Jannock Corp. Ltd.	121,537		minority	G.E. Mara and D.G.Willmot own 20%.CEO and 9 other directors hold 8.8%.Two officers hold 3.6%.
121. Bathurst Paper Ltd.	119,980	majority	majority	Consolidated Bathurst owns all voting stock.
122. Algoma Central Railway	117,893		minority	Jackman family through E-L Fin. Corp. and R.A. Jodrey hold 22%.(1978) Previously U.K.controlled.
123. Canadian Investment Fund	117,741	minority	management	C.P. Investments owns 13.2% (ICO).
124. Canadian General Investments Ltd.	115,291		minority	M.C.G.Meighen and family hold 25% of shares not held by subsidiary.Meighen holds management contract for C.G.I.
125. T.Eaton Realty Co.Ltd.	115,200	majority	private	T. Eaton Co. holds all outstanding shares.
126. McLean Hunter Ltd.	112,454		minority	D.F.Hunter owns 49.4%. Other directors hold 7.6%.

127. Federal Industries Ltd.	108,840		minority	Searle and Leach families hold 38.2%.
128. Dominion Glass Co.Ltd.	106,836	majority	majority	Power Corp. subsidiary holds 95.3%.
129. Maclaren Power & Paper Co.Ltd.	104,828		minority	Maclaren family holds 22.7%.
130. Revenue Properties Co.Ltd.	104,476		minority	Voting trust of shares owned by M.Godhar and Rubin family (outside) holds 35.9%.
131. Carma Developers Ltd.	103,423	minority	majority	Nu-West Development Corp.holds 47.8%.
132. Bow Valley Industries Ltd.	101,840		minority	The Seaman family owns 14.7%.
133. Allarco Developments Ltd.	101,356		majority	Chm. C.Allard (47.1) and Vice-chm. Z.Feldman (21.8)hold 68.9%.
134. Union Acceptance Corp. Ltd.	100,697	majority	majority	Power Corp. subsidiary holds 99.8%.
135. Neonex Holding Ltd.	100,298		majority	J.A.Pattison holds 50.1%. Now (1978)has private control.
136. American Growth Fund Ltd.	100,278		management	Royal Trust holds 9.7%. 'Brant Investments' holds 8.3%.Royal shares no directors.Brant is not identified with a director.

Small Firms

137. Standard Trust Co.Ltd.	99,911	minority	minority	Denison Mines holds 44.1%.

138. Y. & R Properties Ltd.	98,149		majority	R.J. Prusac owns 52.2%.
139. Consumer's Glass Co. Ltd.	97,849		minority	Joint US/CAN control. Brockway Glass (U.S.) owns 18.9%, 1 director. B.Heward (chm),and C.H.Franklin, a director, control 16%. 7.2% of this 16% is through Heward's trusteeship of an employee fund.
140. British Columbia Packers Ltd.	96,916	majority	majority	G. Weston Ltd. owns 83%.
141. Sifton Properties Ltd.	94,354		majority	The Sifton family owns 61.5%.
142. Carena-Bancorp Ltd.	93,730		majority	The Bronfman family owns 57.7% through Edper.
143. Resource Service Group Ltd.	93,584		majority	J.Lecky owns 58.1% through disproportionate voting stock.Consolidated Gold Fields (U.K.)holds 8.1%.
144. Pine Point Mines Ltd.	90,529	majority	management	C.P.Investments owns 69.1%.
145. Greater Winnipeg Gas Co.Ltd.	88,493	majority	management	Norcen Energy holds 99.7%.
146. Sovereign Life Ass. Co.Ltd.	88,422	majority	minority	I.A.C. holds 99%.
147. Inland Natural Gas Co. Ltd.	87,846		probably minority	J.S. McMahon and R.C. Cliff own 9.5%.
148. Fidelity Trust Co.Ltd.	86,575		majority	N.C.W. Wood owns 51.2%.
149. Seaway Multicorp Ltd.	86,097		majority	The Levy family owns 89.3%.

150.	General Distributors Ltd.	85,538		majority	The A.D. Cohen family owns 76.6%.
151.	Cornot Industries Ltd.	85,463	majority	private	The Bentley and Prentice families own 51.9% through Can. Forest Products and directly.
152.	Canada Malting Co.Ltd.	85,083	minority	minority	John Labatt Ltd. and the Molson Co's Ltd. hold 23.2% and vote through nominees.
153.	Wardair Ltd.	84,781		majority	M.Ward owns 72.8%.
154.	Dylex Ltd.	84,618		majority	The Posluns and Kay families hold 69.5%.
155.	Headway Corp.Ltd.	81,899		majority	R.Keenan and H.Ganja own 52.7%. G.B.C.Capital holds 13.4%.
156.	United Canadian Shares (Canadian Indemnity Co.)	81,385		minority	Riley family owns 11.3%.
157.	Warrington Products Ltd.	80,979		majority	Bronfman family through C.E.M.P. owns 51.7%.
158.	Torstar Ltd. (Toronto Star Ltd.)	79,505		majority	A voting trust holding the shares of the Atkinson estate, Honderich,Hindmarsh and Thall (all directors) holds 88%.
159.	Provigo Inc.	76,644		minority	5 directors hold 15%.

160. National Sea Products Ltd.	76,623		minority	3 directors and their families hold 25.8%. The Sobey family holds 27.2% and J.J.Jodrey owns 10.3% but neither are represented on the board.
161. Banister Continental Ltd.	76,543		minority	R.Banister and family own 19.9%.
162. B.C.Sugar Refinery Ltd.	73,995		minority	F.Rogers (chm.)and 2 directors own 13.3%.
163. Canadian Cablesystems Ltd.	73,609	minority	minority	J.H.Moore and associates own 26% through Jonlab Investments.The Jarmain family owns 11.4%.Jonlab represented by CEO and 2 directors, Jarmain family 3 directors.
164. United Corporation Ltd.	72,075	minority	minority	The Jackman family controls 31.5% through E-L Fin.Corp.
165. Maislin Industries Ltd.	72,002		majority	The Maislin family owns 57.3%.
166. Warnock Hersey International Ltd.	71,865		majority	P.N.Thomson owns 53.2%.
167. CAE Industries Ltd.	71,342		minority	R.F.Elliot (10.2) and other directors hold 25.3%.
168. Silverwood Industries Ltd.	71,007		majority	The Silverwood and Laurence families hold 71% in a voting trust.

169. Lake Ontario Cement	70,749	majority	minority	Denison Mines holds 53.4%.
170. Sobey Stores Ltd.	70,319		majority	Sobey family owns 53.9%. G.Weston Ltd.holds 40%.
171. Fidelity Mortgage and Savings Corp.	68,781		majority	S.F.Ross owns 59%.
172. Four Seasons Hotels Ltd.	67,123		minority	E.M.Creed (17.1), the Sharp family (4.6) and M. Koffler (4.4) own 26.1%.
173. Savings Investment and Trust Co.Ltd.	65,965		majority	Directors hold 93.9% through an investment Co.
174. Rolland Paper Co. Ltd.	62,497		majority	Rolland family owns 59.3% of voting shares.
175. Intercity Gas Co.Ltd.	62,385	minority	majority	Canadian General Securities holds 24.3%. UNAS Inv.(U.K.)owns 11.8% on behalf of the Slater family.
176. Imperial General Properties Ltd.	62,126		majority	R.J.Prusac owns 73.9%.
177. Revelstoke Co's Ltd.	62,081		minority	G.A. Berkhold and D.S. Curry hold 26% through Venture Funding.GBC Capital (U.K.)owns 20.7%.
178. Lehndorff Corp.	61,797		majority	2 directors own 74.5%.
179. Teck Corp. Ltd.	60,600		minority	The Keevil family,3 directors,holds 12.9% of voting stock not held by Teck's subsidiary,Copperfields Mining Corp. (continued....)

179. Teck Corp. Ltd. (continued....)				Keevils hold 28.8% of Copperfields shares not held by Teck. Dis-proprotionate voting stock.
180. Harding Corp. Ltd.	60,325		minority	C.M. Harding family owns 19.2%.
181. N.B.Cook Corp.	59,738		majority	N.B.Cook and family own 63%.
182. Wabasso Ltd.	59,358		majority	Crabtree family owns 75% (DCCA).
183. Metropolitan Stores Ltd.	58,882	majority	majority	General Distributors holds 60.7%.
184. ATCO Industries Ltd.	58,693		majority	R.D. Southern family owns 62.8%.
185. Agra Industries Ltd.	58,159		minority	B.B.Torchinsky owns 22%. Saskatchewan Govt. (through SEDBEC) holds 18%.
186. Grafton Group	56,969		minority	G.R. Chater (36.5) and J.W. McCutcheon (9.9) hold 46.4%.
187. Eaton Life Ass.Co. Ltd.	55,971	majority	private	T. Eaton Co. holds all shares. (ICO).
188. White Pass & Yukon Corp.	55,069	majority	minority	Federal Industries holds 50.2% (F.P.I.)
189. GSW Ltd.	54,803		minority	R.M.Barford (chm.)holds 27.5%. G.Gardiner owns 25.8% but does not sit on board.

190. Lawson & Jones Ltd.	54,766		minority	Joint UK/CAN control. R. Lawson and T.F.G. Lawson own 17.6%.U.K. firm holds 19.4%.
191. Trimac Ltd.	52,366		majority	McCaig family owns 57.9%.
192. Nordair Ltd.	52,281		minority	Chm. C.E.O. and 1 director, own 45.9%.G. Gardiner owns 13.8%, does not sit on board.
193. Corp. d'Expansion Financier du Quebec	50,921	majority	minority	York Lambton holds 65%.
194. Horne and Pitfield Foods Ltd.	50,651	majority	minority	M.Loeb Ltd. owns 86.6%.
195. Koffler Stores	50,361		minority	Koffler family owns 37.4% other directors hold 24.3%.
196. Canadian Foundation Ltd.	50,326		majority	H.Gautrin, through A. Janin & Co., holds 96%.
197. Drummond McCall Ltd.	50,250		minority	D.Drummond and A.McCall own 19.8%.
198. York Lambton Corp. Ltd.	50,126		minority	M.Latraverse and C. Rouleau hold 34.7%.
199. East Sullivan Mines Ltd.	49,114		probably minority	The Beauchemin family holds about 8.5% of the stock not held by subsidiary.
200. Great West Steel Ltd.	48,965		minority	H.Magee owns 29.2%.
201. Consumers Distributing Co. Ltd.	48,471		minority	Stupp family owns 44.3%. Oshawa Group holds 13%.

202. Halifax Developments Ltd.	48,187		majority	J.Jodrey and the Sobey family own 67.2%.
203. Schneider Corp. Ltd.	48,060		majority	Schneider/Hawkings family holds 50.5% in trust.
204. Selkirk Holdings Ltd.	47,444		majority	5 directors hold 50% of voting shares, Southam Press holds 30%.
205. Brenda Mines Ltd.	46,817	majority	management	Noranda Mines holds 50.9%.
206. Dominion of Canada Gen. Ins. Co.	46,480	majority	minority	E-L Fin. Corp. holds 99.1%.
207. Extendicare Ltd.	45,980	minority	private	R.M.Ivey, through Allpack, owns 20.1%. 2 officers and 1 director own 10.8%.
208. Wajax Ltd.	45,464		minority	Sobey family, directly and through Empire Co. owns 25.9%.
209. U.A.D. Inc.	43.318		majority	Members of the Prefontoine family own 79%.
210. Western Broadcasting Ltd.	42,710		minority	F.A.Griffiths, W.J.Hughes and W.S. Owen own 25.6%. Torstar Ltd. holds 10.9%. (76)
211. G.& H Steel Industries Ltd.	42,040		majority	D.L.Hadden owns 63.4%.
212. Strathearn House Group	42,008		majority	Posluns and Kay families own 73%.
213. Premier Cablevision Ltd.	41,997		majority	S.Welsh and B.J.Shepard hold 17.4%.Vancouver Cablevision 14.3% and Columbia Broadcasting 18.5% are represented on board.

214. Field Stores Ltd.	41,831		minority	J.Segal owns 24.8%.
215. Laidlaw Transport Ltd.	41,738		minority	M.DeGroote owns 39.5%.
216. Scottish & York Holdings Ltd.	41,543		majority	K.R.Thomson controls 51.9% through Standard St. Lawrence Corp.
217. Skyline Hotels Ltd.	41,060		minority	W.Hodgson owns 44.1%. Capital Counties & Properties Ltd. (UK) holds 21.6%.
218. Corby Distillers Ltd.	40,277	majority	management	Hiram Walker-Gooderham and Worts Ltd. owns 50.1%.
219. Normick Perron Inc.	40,107		majority	Perron family owns 75.7%.
220. North Canadian Oils Ltd.	39,954		minority	Ruben family owns 11.3%.
221. Scott's Restaurants Ltd.	39,642		majority	G.Gardiner family and Graham family own 62.9%.
222. Fonds F-I-C	38,588		minority	J-L Levesque owns 35.9%
223. Multiple Access Ltd.	38,193		minority	The Bronfman family through CEMP and 3 trusts hold 26.9%.
224. Tele-Metropole	37,356		majority	The estate of J. De Seve holds 99.3% (Q.S.C.)
225. Crush International Ltd.	36,755	minority	minority	Neonex holds a 34.3% interest. McConnell family holds 10.8% through Starlaw Investments.
226. Eastern Provincial Airways Ltd.	36,640		majority	A. Crosbie and 2 directors own 59.3%.

227. Maritime Electric Co. Ltd.	36,447		minority	A.S.Gordon and D.Stairs hold 19.6%.
228. Voyager Petroleums Ltd.	36,223		majority	Joint US/CAN control. Kahanoff family owns 30.1% W.R.Grace Co. (U.S.)holds 23.1%.
229. Baton Broadcasting	35,844		majority	The Telegram Corp., a trust of the Bassett and Eaton families, holds 51.6%.
230. Numac Oil and Gas Ltd.	35,310		minority	Joint US/CAN control. McGregor and Ivey families hold 16.3%. Pitcairn foundation (US) holds 26.7%.
231. Upper Canadian Resources Ltd.	35,244		minority	McBean family owns 28.3%.
232. Leigh Instruments Ltd.	34,442		minority	CEO and 2 directors hold 14.3%.
233. Roman Corp.	34,099		minority	The Roman family owns 43.1%.
234. Quebecor Inc.	33,613		majority	P.Peladeau owns 72.8% (FPI).
235. McLean Hunter Ltd.	33,601		minority	D.F.Hunter owns 49.4%. Other directors hold 7.6%.
236. Cygnus Corp.	32,510	majority	management	Consumers Gas Co. holds 96% (FPI).
237. Cara Operations Ltd.	32,066		majority	Phelan family owns 64.4%.
238. Bridger Petroleum Ltd.	31,983		minority	A.E.Whitehead,J.A. Downing and H.Hackett (US)own 15.5%.

239.	National Drug and Chemicals Ltd.	31,728		minority	M.Loeb Ltd. holds 52.1%.
240.	Leon's Furniture Ltd.	31,536		majority	Leon family owns 78.8%.
241.	Livingston Industries	30,628		majority	R.M.Ivey family owns 53.1%.
242.	Ronalds Federated Ltd.	29,909	minority	private	F.P.Publications holds 29.6%.
243.	Peerless Rug Co.Ltd.	29,903		majority	Garber, Jablow (US) and Nusblatt families hold 55.1%.
244.	CHUM Ltd.	29,833		majority	A. Waters owns 81%.
245.	Kenting Ltd.	29,684	majority	majority	Trimac Ltd. holds 54.9%.
246.	J. Harris & Sons Ltd.	29,165		minority	M.Harris owns 44.8%.
247.	Mico Enterprises Ltd.	29,148		majority	Bronfman family owns 70.4% through Edper.
248.	Standard Broadcasting Ltd.	28,601	minority	majority	Argus holds 47.7%.
249.	Travelways Ltd.	28,536		majority	Needler family owns 57.9%.
250.	Magnasonic Can.Ltd.	28,351		majority	Klein family owns 80.1%. Bronfmans through CEMP own 13.2%.
251.	Foodcorp Ltd.	27,834		majority	R.Mauran owns 60.9%.
252.	Simcoe Erie Investors Ltd.	27,827		minority	Stradwick family owns 24.6%.
253.	Sklar Manufacturing Ltd.	27,765		minority	Sklar family owns 18.5%.
254.	Intermetco Ltd.	26,997		majority	Goldblatt family owns 60.4%.

255.	Arbor Capital Resources Ltd.	26,842		majority	3 directors and an associate own 64.1%.
256.	Monenco Ltd.	25,947		majority	Monenco Holdings owns 52.9% through dispro-portionates voting stock.Monenco likely associated with C.E.O.
257.	Pamour Porcupine Mines Ltd.	25,899	minority	management	Noranda Mines holds 48.8% (F.P.M.).
258.	Western Mines Ltd.	25,463	minority	minority	Brascan Ltd.holds 40.5%.
259.	Algonquin Building Credits Ltd.	25,015		majority	C.H.Franklin and family hold 68.2%.

[1]Unless otherwise indicated, ownership information is from the files of the Ontario Securities Commission. Other source symbols:

(FPI) - Financial Post Survey of Industrials, 1976.
(FPM) - Financial Post Survey of Mines, 1976.
(FPO) - Financial Post Survey of Oils, 1976.
(QSC) - Weekly Bulletin of the Quebec Securities Commission.
(ICO) - Intercorporate Ownership, 1975.

'Listed funds' refer to funds reported in the Financial Post Survey of Funds, and includes largely open-ended mutual funds.

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