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CANADIAN BANKS AND U.S. FINANCIAL GROUPS

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By

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Abstract

This thesis examines the financial-industrial networks in Canada and the United States, with the purpose of identifying the major tendencies and patterns in the relationships between Canadian banks and the conglomerates of U.S. financial and industrial corporations.

Previous research by U.S. interest group theorists indicates that the dominant structures in the American economy are huge super-corporate communities of interest centered around the largest commercial banks in the U.S. The largest banks influence the decision-making process in the industrial sector because a) industrial corporations rely on banks for their financing and, b) vast amounts of industrial stock are held in the trust departments of these banks. These two factors guarantee the largest commercial banks membership on the boards of directors of the industrial corporations with which they have these relationships. Prior studies indicate that the majority of individuals holding multiple directorships are indeed bankers.

The most powerful banks, and hence the most powerful financial interest groups, are located in the New York area. Research for this thesis suggests that these New York interest groups play a major role in the Canadian economy. More than two-thirds of the U.S. multinationals interlocked with the five largest Canadian banks are also interlocked with the six largest New York banks.

Two factors lend support to the claim that U.S. interest groups retain their shapes in Canada: 1) the patterns of interlocking of the subsidiaries of U.S. corporations are similar to those patterns of interlocking for the U.S. parent corporations and, 2) each of the three powerful New York interest groups tends to focus the bulk of its operations on a specific Canadian bank, as indicated by the frequency of interlocks between corporations associated with these groups and identifiable Canadian banks. Furthermore, it appears that with respect to the U.S. multinationals, Canadian bank directors tend not to be selected randomly from the entire population of qualified individuals, but rather from the interest group most closely associated with each Canadian bank.

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Introduction

Numerous studies have demonstrated the extent to which the Canadian industrial sector is dominated by U.S. multinational corporations.¹ Even a cursory examination of the ownership data on Canada's largest industrial corporations reveals that, particularly in the areas of manufacturing and raw materials, U.S. capitalists play a major role in the Canadian economy and derive major profits from this domination.

The attention given to the problem of American domination has traditionally been directed toward the industrial sector. The financial sector has not been subjected to the same intensive scrutiny. The popular image of Canada's banks as independent pillars of strength in the Canadian and world economies extends into the academic arena as well. Wallace Clement has argued, for example, that "capitalists in the financial sector have been able to protect themselves from direct U.S. domination."²

Justification for this view comes from the fact that federal legislation protects Canadian banks from competition by foreign banks in this country. Consequently, Canadian banks profit immensely from foreign investment in other sectors of the Canadian economy because the foreign corporations are forced to make use of these banking facilities to handle their Canadian operations.

This thesis examines the financial-industrial networks in Canada and the U.S. and concludes that Canadian banks are not as free from U.S. influence as Clement seems to suggest. When viewed within the continental framework, it appears, rather, that some Canadian banks act as agents of wider consolidated interests.

Inquiries into the nature and extent of the U.S. domination of the Canadian economy cannot ignore the role which Canadian banks play in perpetuating this state of affairs. The numerous interlocks between Canadian banks and U.S. multinational corporations attest to the willingness of Canada's banks to participate in and profit from this domination.

This thesis suggests that the choice of a particular Canadian bank to handle the affairs of a U.S. multinational corporation is not a random one. In addition, the thesis suggests that the selection of Canadian bank directors is not based primarily, as the banks themselves claim, on the "recognized superiority of intellect and experience"³ of the individuals, but, rather, on the corporate and super-corporate affiliations of these individuals.

Most of the U.S. multinationals interlocked with Canadian banks are linked to one or more of a handful of powerful interest groups centered around the largest banks

in the United States. Most prominent among these financial interest groups are three New York-based groups: the Rockefeller, Morgan and Manufacturers Hanover groups. It will be shown in this thesis that each of these three groups tends to focus the bulk of its Canadian operations on a specific Canadian bank. Corporations linked with the Rockefeller group tend to interlock most frequently with the Royal Bank of Canada. Similar relations exist between Morgan companies and the Canadian Imperial Bank of Commerce, and between the Manufacturers Hanover companies and the Toronto Dominion Bank.

The implications of these patterns are twofold: first, that U.S. interest groups tend to retain their shapes as they cross the border into Canada, and second, that three of Canada's largest banks have become either partners or agents of these U.S. financial groups.

With respect to the U.S. multinationals, it appears that Canadian banks tend to select their directors, or have their directors selected, from corporations which fall within the U.S. financial interest groups with which they are most closely associated.

The purpose of this thesis is to identify the major tendencies and patterns in the relationships between Canadian banks and the conglomerates of U.S. financial and industrial corporations. Virtually every interlock that occurred in 1977 between the five largest Canadian banks

and U.S. multinational corporations, and between these multinationals and the largest U.S. banks, was considered for this study.

It might be argued that this method of analysis is voided by its apparent ahistoricity. How accurately, after all, can a moment in time depict an on-going and ever-changing social reality? Can one draw generalizations from one specific moment?

The focus on one specific year, 1977, should not be mistaken for a disregard of history. In fact, it is precisely an historical tendency which in this field of study makes it possible to argue that one moment will, on the whole, reflect an on-going social reality. Reference here is to the historical tendency of patterns of corporate interlocking to persist independently of changes in personnel. This point has been illustrated, for example, in Burk and Ciscel's study of the interlock patterns of sixty of the largest U.S. banks (the fifteen largest banks from four economic regions - New York, Texas, California, and the Midwest).⁴ They found, as expected, that corporate interlock patterns remain fairly constant over time even though the individual directors who personify these interlocks may change.

Therefore, while a "snapshot" of interlock patterns will inevitably contain inaccuracies and anomalies, if it is sufficiently large in scope, it should reflect general

tendencies which persist over time. The "snapshot" taken for this thesis is of such magnitude that it contains every interlock between a large Canadian bank and a U.S. multinational corporation. It seems highly probable, therefore, that the moment in the history of inter-corporate relationships captured for this thesis will reflect most of the patterns and tendencies that have developed over time.

It should also be noted that the interlock and interest group data gathered for this thesis bears some resemblance and owes great debt to the studies by other interest group theorists: Sweezy's work in the 1930s; Perlo's in the 1950s; and Pelton's and Knowles' studies in the 1960s and 1970s. Many of the patterns identified by these researchers can be seen to persist in the "snapshot" taken for this thesis.

In Canada, no one has attempted to explore relationships between Canadian banks and U.S. interest groups. Therefore it is difficult to compare the situation in 1977 with those of previous years without doing the research that our predecessors have neglected. Nevertheless, there is no reason to doubt that the historical tendency in the U.S. for corporate interlocks to persist independently of personnel changes is also relevant to our understanding of the Canadian economy.

Chapter One discusses the nature of a financial interest group, explores the ties that develop between financial and industrial corporations and attempts to identify the locus of the decision-making process and the external constraints imposed upon this process.

Chapter Two shows all the links between the Canadian banks and U.S. multinational corporations. In addition, links are shown among these multinationals and between them and the largest U.S. commercial banks.

Chapter Three analyses the data presented in the second chapter and shows that most U.S. multinational corporations interlocked with Canadian banks, are tied to wider super-corporate structures, in particular, the Rockefeller, Morgan and Manufacturers Hanover interest groups.

Chapter Four demonstrates how these groups have retained their basic form in Canada and have focused their Canadian operations on specific Canadian banks.

Chapter Five explores a few of the smaller, regional U.S. interest groups and shows how some of these groups also tend to retain their shape in Canada.

Chapter Six summarizes and concludes the thesis.

Footnotes

1. See, for example, Libbie C. Park and Frank W. Park, Anatomy of Big Business, Toronto, James Lewis and Samuel, 1973; Wallace Clement, The Canadian Corporate Elite, Toronto, McClelland and Stewart, 1975, and Continental Corporate Power, Toronto, McClelland and Stewart, 1977.
2. Clement, Continental Corporate Power, p. 3.
3. Toronto Dominion Bank, Brief Presented to the Royal Commission on Corporate Concentration, p. 26.
4. Susan A. Burk and David H. Ciscel, Growth of Interlocking Directorates in Commercial Banking, 1965-1975, Memphis, University of Memphis Press, 1977.

Chapter One

This chapter inquires into the nature of a financial interest group and explores the basic assumptions concerning these groups. Central to this discussion are questions about the location of power within an interest group, the ways in which power and control are exercised, and the types of linkages that bind a group of corporations around a locus of power.

As a means of explaining the structure of the economy, interest group theory has experienced both popularity and disdain over the last few decades. The bulk of the debate centers not so much on the question of the existence or non-existence of financial-industrial alliances, but more upon the controversy surrounding the exact location of power and decision-making in the highest levels of the corporate sector. It follows that an understanding of the decision-making process within the industrial corporation, and the possible external constraints on this process, is a necessary prerequisite to any discussion of financial-industrial alliances.

Preliminary Considerations in Financial-Industrial Relations

This section outlines those aspects of the decision-making process which fall within the parameters of the law.

Banks and industrial corporations are structured in much the same way. What the Bank Act states about

structure, then would in most cases apply to industrial corporations as well. The Bank Act formally outlines the general functions of the board of directors:

The directors shall administer the affairs of the banks and may make by-laws with respect to any matter except. . . (their wages).

They appoint officers¹ (who) from their number elect a president.²

According to the law, then, it is the directors who formally hold the power. Whether in fact this power is allocated to senior management is another question altogether, but clearly, as far as the law is concerned, the board of directors controls the corporation.

Managerialists argue that the wide dispersal of stock in many large corporations has resulted in a shift in control from the owners to the managers.³ Followers of Berle and Means have argued that under such conditions managers may make use of the proxy machinery to gather up the votes of many of the small shareholders in order to elect a subservient board of directors and thereby insure the perpetuation of the managers.⁴

Maurice Zeitlin has argued that the possibility of proxy manipulation is at best speculative evidence of managerial control. One can only guess at what goes on in the private offices and boardrooms of a large corporation, and what may appear to be a battle between owners and managers may just as easily, as Zeitlin suggests, be a struggle, via management, between contending proprietary

interests.⁵

Both managerialists and interest group theorists agree that at one time in the recent past the large stockholders held the key to corporate power. Interest group theorists continue to hold this view and, as Zeitlin argues, the burden of proof of an alteration of this situation lies with the managerialists. The uncertainty surrounding the motivating forces in proxy battles renders the proxy issue unreliable as an indicator of such an alteration having occurred.

As stated, the board of directors has the legal power to administer the affairs of the corporation, and interest group theorists believe this power to be largely intact. Zeitlin cites, as an example, the case of the Anaconda Copper Company, a corporation defined by managerialists as management-controlled. After the nationalization of Anaconda's Chilean operations, with a loss to the company of many millions of dollars, Chase Manhattan Bank appointed one of its own directors chief executive officer of Anaconda. This new official proceeded to fire more than 50% of the senior managers, including the president, and engineered the early retirement of Anaconda's chairman.⁶

This is just one example of the power of the board of directors, in this case banker-directors, to overrule management at will, even when the corporation is allegedly management-controlled. Other examples will be provided after

a discussion of the mechanisms by which banks may control a corporation through the board of directors.⁷

Interlocks Between Banks and Corporations

The Bank Act also states that no more than 20% of the directors of a corporation which is not owned by a bank can be directors from any one bank.⁸ There are no restrictions, however, on the number of corporations which can be represented on the board of a bank by any one director. Just how lax this arrangement is may be indicated by the fact that Canada's three hundred bank directors hold in excess of 3,000 directorships in corporations with total assets of \$700 billion.⁹ It was this state of affairs which prompted federal M.P. Andrew Hogan to make the following remark:

This cozy little arrangement with the Senate Banking Committee and the domination of the five big banks under the protection of the federal government verify to a large extent Marx's insight concerning nineteenth century capitalism when he said that the government is but the management committee of the bourgeoisie. This still has a lot of relevance when you read banks and multinational corporations instead of the bourgeoisie. I would suggest to you in all seriousness that this insight of Marx is of greater relevance to us in the twentieth century - in 1978, here in Canada.¹⁰

How much a corporation can be influenced and perhaps dominated by banks through interlocks is difficult to determine. However, both interest group theorists and managerialists recognize the limitations which bankers may impose on the decisions made by management. This is illustrated

in a remark by managerialist M.L. Mace. Investment bankers should not serve on corporate boards because

if the banker represents a firm which does investment counselling, employs brokers, or controls or advises mutual funds, he has an absolute, real and disqualifying conflict of interest. In addition to the conflict of interest arising out of the inside information available to the investment banker he has another form of conflict in connection with the acquisitions his firm makes. 11

Richard Pelton has pointed out that investment bankers no longer play as important a role as they may have a few decades ago.¹² Their function has largely been usurped by the commercial banks which operate trust departments. Thus, commercial bankers are faced with this same conflict of interest.

In reality, this conflict of interest only has meaning from the perspective of the corporation president, who sees that the banker can use inside information about the corporation to his benefit in determining whether to extend a line of credit to the corporation and how much the corporation can afford to pay for this credit. On the stock market, the banker's inside information and role as both a seller and a buyer make his position especially advantageous.

As far as the banker is concerned there is no conflict of interest. Presumably the banker's motive is to maximize profit and minimize expenditures and his inside information enables him to do this much more effectively.

Another problem of the managerialist argument is its underestimation of the power of banks to influence corporate affairs. John Galbraith has spoken of a "shift of power in the industrial enterprise, this one from capital to organized intelligence."¹³

A dozen matters of commonplace observation - the loss of power by stockholders in the modern corporation, the impregnable position of the successful corporate management, the dwindling social magnetism of the banker, the air of quaintness that attaches to the suggestion that the United States is run from Wall Street, the increasingly energetic search for industrial talent, the new prestige of education and educators - all attest the point. ¹⁴

Bank influence has allegedly diminished because the modern corporation is now financed through "capital derived from its own earnings."¹⁵

Galbraith provides no data on this supposed increase in internal financing, nor does he indicate the basis upon which his remarks are made.

Robert Fitch and Mary Oppenheimer¹⁶ have criticized this view on the basis of a) findings by the National Bureau of Economic Research that external financing has been stable at approximately 40% for all non-industrial corporations in the first half of the twentieth century; and b) a report by the Federal Reserve Bank of San Francisco which showed that between 1965 and 1969 "internal financing increased at only a 2.6% rate while external financing jumped to a 16.5% annual growth rate."¹⁷

Peter Dooley argued that

the importance of outside funds is . . . illustrated by the fact that on December 31, 1965 the total liabilities of the non-financial business sector in the Flow of Funds Accounts was \$461.9 billion. Of this, \$276.1 billion (60%) was in the form of corporate bonds, mortgages, bank loans and other loans, most of which was held by banks and insurance companies.¹⁸

It may be argued that since this data pertains to all non-financial corporations, both large and small, the figures would be pushed disproportionately upward by the fact that most small corporations would require extensive external financing. However, Lintner has shown that for all U.S. firms with assets greater than \$5 million "dependence on outside financing is about the same regardless of the size of the firm."¹⁹

The dual allegiance of the banker-corporation director means that he has responsibility to two apparently different sets of interests. The closer these interests are aligned with each other the more successful will he be in satisfying both parties. Yet, as Pelton has stated,

When a director sits on more than one corporation he must have the interests of one of the corporations upper-most in his mind - that would be the controlling corporation. Since in most cases these interlocking directors come from financial institutions, especially banks, we can conclude that these latter control the industrial corporations.²⁰

Pelton does not substantiate the claim that in most cases interlocking directors come from banks. As it

turns out, however, he is correct in this assessment.

Dooley has shown that the corporations with the greatest assets interlock most with the largest banks.²¹ Zeitlin analysed data presented by Smith and Desfosses²² on interlocking directorates among the five hundred largest industrial corporations in 1968 and found that

commercial and investment bankers are disproportionately over-represented among the occupants of multiple corporate directorships. Bankers constituted 21% of all outside directors in the 500 largest industrials, but well over twice that proportion among the outside directors with seats on three or more corporate boards.²³

It was stated previously that the managerialist argument hinges on the wide dispersal of stock in the largest corporations. What these theorists do not give adequate attention to is the possibility that wide dispersal of stock makes less amounts of stock necessary to gain or maintain working control of a corporation. Berle and Means used a figure of 20% as the minimum amount of stock necessary for enabling the owners to select the majority of the board of directors. Owing to this fact of increasing stock dispersal, Larner reduced this figure to 10%.²⁴ The Patman Committee used a 5% figure and argued that wide stock dispersal has made it possible for banker-directors to represent sufficient volumes of stock, held in their trust departments, to exercise control over the broad policies of the corporations.²⁵ In many cases banks reserve the

power to vote stock held in trust.²⁶

The trend of the last thirty or forty years toward a separation of ownership from control because of the fragmentation of stock ownership has been radically changed toward a concentration of voting power in the hands of a relatively few financial institutions.²⁷

Pelton has estimated that the New York banks (Citibank, Chase Manhattan, Chemical, Morgan Guaranty, Banker's Trust, and Manufacturers Hanover) have in their trust departments and at their disposal sums of money at least equal to their publicly stated assets.²⁸

These two factors - the dependence on external financing and the power of banks to vote stock held in their trust departments - as well as the fiduciary services which the banks provide,²⁹ place the banks in a good position to influence the decision-making process in the corporations with whom they have these relationships. Pelton notes that

In theory all (directors) are equal - one man one vote - but in practice each is there for different reasons. Some are being honored for past services; others may represent a customer or supplier; some may represent a local oligarchy of a city where the corporation does business or has a plant; some - officers of the corporation - come to the board to report on current operations and find out how to carry out the line of the board. All these are unimportant from the point of view of control. Often only a minority of the board represents the controllers. They can make their weight felt without a numerical majority on the board. If Mr. X represents the bank that controls the financial future of the corporation, his ideas are bound to carry more weight than the other members of the board.³⁰

In short, the study of power which limits itself to the dynamics of internal management limits its understanding of economic power and presents an image of corporate power much more fragmented than is actually the case.

The key phrase in this theoretical discussion is "the potential for control." It has been shown in this chapter that this potential does in fact exist. Whether or not it is exercised is a matter requiring empirical investigation and a case-by-case study of each bank-corporation relationship would be necessary to determine this. Two examples of how this potential for control may be realized are cited below.

1) The Banks vs. Barwick Industries - "Business Week" ran an article on the plight of E.T. Barwick, top man at Barwick Industries.³¹ The carpet manufactory had world-wide sales in excess of \$200 million in 1974, but

By mid-1975 the company's debt had escalated to the point where Barwick's bankers were worried about repayment and it was they who insisted on bringing in Charles Selecman.

This past summer, after a year of bitter in-fighting between the two men over Selecman's drastic measures to save the . . . company, the company's lender banks quietly but firmly pushed Barwick out of the picture by threatening to call their loans. Barwick, who owns 52.9% of the company's stock and whose family owns an additional 30%, consented to agreements in which he surrendered all authority over operations to Selecman for three years. Although he is still technically the majority stockholder, Barwick is not even allowed to visit his own office during business hours without Selecman's permission. 32

Under agreement, Selecman has the power to select eight of the ten directors.

Barwick charges that the banks, which include Bankers Trust and Chase Manhattan. . . , want to take the company away from him. 33

2) The Banks vs. Howard Hughes - "Business Week" also reported on the well known incident involving Hughes' TWA.

In 1960, (Hughes) reluctantly arranged a \$165 million loan from several banks and insurance companies to equip TWA with jets. . . . The following year TWA's management sued Hughes for \$115 million claiming he waited too long to order jets, putting them at a competitive disadvantage. 34

(Presumably this loan would insure the banks a strong influence over the affairs of the corporation. Thus, it seems probable that the banks would have engineered this suit. Why, for example, would management not have sued Hughes before he made attempts to modernize unless they were essentially on his side?)

Modes of Relationship Between Corporations and Banks

If nothing else, an interlock indicates that some sort of relationship must exist between two corporations. This relationship may be purely inconsequential, as in the case of the interlock between the Toronto Dominion Bank and London Hart Dog Kennels; or it may be fundamental, as in the long historical relationship between the same bank and Hiram Walker-Gooderham & Worts.

A number of factors must be considered in order to distinguish fundamental interlocks from inconsequential

ones: the number of interlocks; other connections between the corporations (use of same bankers, law firms, transfer agents); ownership of stock of one firm by the other, or by both firms of each other; the nature of the interlocks (primary or secondary); interlocks or other connections with the same set of corporations in a larger network.

The difference between primary and secondary interlocks was outlined by Sweezy in The Present as History:

A primary interlock exists between companies X and Y if a director of X, whose main business interest is with X, sits on the board of Y. If this same person also sits on the board of Z then a primary interlock also exists between X and Z. These two relations, however, necessarily involve an interlock between Y and Z and this we call a secondary interlock.³⁵

Sweezy has argued that secondary interlocks are dubious indicators of interest grouping.³⁶ However, if access to inside information and exchange of information are fundamental aspects of corporate interlocks, then secondary interlocks would serve this function if the need arose. Furthermore, secondary interlocks often involve banks as the central corporation. A bank officer may sit on the boards of both Allied Chemical and General Motors, thus establishing a secondary relationship between the two. The significance of this relationship cannot be appreciated unless it is viewed within the framework of an already existing network of ties of these corporations to a set of corporations common to both Allied Chemical and General Motors. While Sweezy is correct to point to the

the dangers of ascribing too much importance to secondary interlocks, the fact that they can, if necessary, accomplish the same tasks means that they cannot be discounted as irrelevant. When a bank forms the basis of the secondary interlock, one must be even more careful not to overlook the possible importance of a seemingly inconsequential interlock. We are reminded of Zeitlin's evidence noted on page 15 of this chapter that bankers constitute the highest percentage of interlocking directors. Thus, when a bank is involved in generating a secondary interlock, there may be at least some justification for suspecting that an interest group might be in existence, bonding the corporations together under the control of the bank. Since this thesis is a study of banks, the numerous secondary interlocks which occur between corporations through banks must be considered in our attempts to discover connections between American and Canadian financial circles.³⁷

Summary

This chapter has discussed the main components of an interest group. Corporations can be externally linked together via stock ownership and/or control. The boards of directors must be seen as serving more than merely symbolic roles. Corporate interlocks provide the lines of communication by which corporate activities can be coordinated externally.

Contrary to what Mills argued in The Power Elite,³⁸ industrial corporations are linked to financial institutions

as sources of the huge lines of credit needed to maintain and expand their operations. Most of these banks are based in New York. In addition, as the Patman Committee showed, banks are able to vote large quantities of stock held in their trust departments.

What appears from the point of view of a corporation president to be a conflict of interest arising out of the banker-director's dual allegiances, is from the banker's point of view an extremely sensible, if not entirely ethical, way of maximizing his profits.

Footnotes

1. These quotes are from the Bank Act of Canada, but they appear here in a slightly altered and abbreviated form.
2. Government of Canada, The Bank Act, Sections 23(1), 27(1), and 28(1).
3. See, for example, Paul A. Baran and Paul M. Sweezy, Monopoly Capital, New York, Monthly Review Press, 1966, p. 10. See, also, the discussion of this problem in Maurice Zeitlin, "Corporate Ownership and The Capitalist Class", American Journal of Sociology, 79(5), pp. 1088-89.
4. Op. cit., p. 1089.
5. Op. cit., p. 1091.
6. Business Week, Feb. 19, 1972, pp. 52-55.
7. See pp. 17-18 of this chapter.
8. Government of Canada, The Bank Act, Section 28(1).
9. Alan Fotheringham, Column in Maclean's, Jan. 23, 1978.
10. Andrew Hogan, Speech in House of Commons Debates, Vol. 121, No. 45, Third session, p. 2122.
11. M.L. Mace, Directors: Myth and Reality, Boston, Harvard University Press, 1971, p. 10.
12. Richard Pelton, "Who Really Rules America?", Progressive Labor, Vol. 7, July, 1970, p. 18.
13. John K. Galbraith, The New Industrial State, New York, Mentor, p. 71.
14. Ibid.
15. Op. cit., p. 93.
16. See Robert Fitch and Mary Oppenheimer, "Who Rules the Corporations?", Socialist Revolution, Vol. 1, Nos. 4-6; Robert Fitch, "Sweezy and Corporate Fetishism", Socialist Revolution, Vol. 2, No. 3, May-June, 1972.
17. Fitch, Op. cit., pp. 101-102.
18. Peter Dooley, "The Interlocking Directorate", American Economic Review, 59, June, 1969, p. 318.

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22. E.P. Smith and L.R. Desfosses, "Interlocking Directorates: A Study of Influence", Mississippi Valley Journal of Business and Economics, 7, (Spring), pp. 57-69.
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24. John Larner, "Ownership and Control in the 200 Largest Non-Financial Corporations, 1929 and 1963", American Economic Review, Sept. 1966, p. 779, cited in Steven Berkowitz et al., The Determination of Enterprise Grouping Through Combined Ownership and Directorship Ties, Working Paper, Institute for Policy Analysis, University of Toronto, March 1978, p. 9.
25. U.S. Congress, House Committee on Banking and Currency, Sub-committee on Domestic Finance (Patman Committee), Commercial Banks and their Trust Activities, 90th Congress, 2nd Session, 1968.
26. Op. cit., p. 12.
27. Op. cit., p. 13.
28. Pelton, Op. cit., p. 18.
29. Victor Perlo, The Empire of High Finance, New York, International, 1957, p. 70.
30. Pelton, Op. cit., p. 20.
31. Business Week, Nov. 29, 1976, pp 81-82.
32. Op. cit., p. 81.
33. Ibid.
34. Business Week, Feb. 12, 1972.
35. Paul Sweezy, The Present as History, New York, Monthly Review Press, 1962, p. 162.
36. Ibid.

37. Whether a director is classified as an inside director or an outside one was determined in this thesis by the primary corporate affiliation of the director. Primary corporate affiliation was determined by whether the director held a senior position on the board, or a senior position in management. These positions are listed in Standard and Poors Directory of Directors, Moody's Industrial Manual, and Financial Manual, and the Financial Post Survey of Industrials.
38. C. Wright Mills, The Power Elite, New York, Oxford, 1969, p. 125.

Chapter Two

This chapter shows the links between Canadian banks and U.S. owned or controlled industrial corporations. There are also a few links between the banks and U.S. non-industrial corporations such as Continental Corporation, a huge diversified financial corporation with strong ties to Manufacturers Hanover Trust in New York. These links are relatively rare but they have been included in this study because they are just as significant in outlining the connections between U.S. interest groups and Canadian banks.

Interlocks between Canadian banks and U.S. owned or controlled corporations are identified. Linkages between U.S. corporations are identified in such a way that they can be grouped into communities of interest.

The major banks associated with these U.S. multinationals are then identified.

Links Between Canadian Banks and U.S. Multinationals

Tables 1 through 5 list all U.S. owned or controlled corporations interlocked with Canada's top five banks.

The U.S. parent corporations of most of these corporations own the overwhelming bulk of the shares of their Canadian subsidiaries. Half of the U.S. owned or controlled corporations interlocked with the Royal Bank of Canada, for example, are wholly owned by their U.S. parents. The average amount of stock owned by the U.S. parents is 83%.

Similar figures hold true for the other four banks in this study and thus it is felt that a reporting of the individual figures for each corporation is not necessary.

What can be ascertained from the above is that some 80% or more of the net profits made by most U.S. multinationals can be siphoned back to the shareholders of the U.S. parent corporations.

The tables show that most of these multinationals operating in Canada rank among the four hundred most profitable corporations in Canada and this would indicate the possibility of enormous profits drifting to the U.S.

The tables also show that interlocks between Canadian banks and U.S. owned or controlled corporations usually involve the largest corporations in the U.S. In fact, roughly 36% of the interlocks between Canadian banks and U.S. owned or controlled corporations involved parent corporations which ranked among the top twenty-five in the U.S. Roughly 60% of the U.S. multinationals were among the top one hundred U.S. corporations. While this is not surprising, it is important to note that we are dealing here with the corporations whose controllers make up the American economic elite.

These tables do not indicate interest groups. In numerous cases American corporations operating in Canada are interlocked with two or more Canadian banks. Gulf Canada, for example, has an interlock with the Bank of

Montreal as well as three interlocks with the Commerce Bank. The oil company also has three* interlocks with the Toronto Dominion Bank, one of which involves a Canadian banker sitting on the board of the parent corporation in the U.S. as well as the subsidiary in Canada. It would appear that the Toronto Dominion relationship is of greater importance than the Commerce relationship. The irony of this situation is that Jerry McAfee, chairman of the U.S. parent corporation, is also a director of the Bank of Nova Scotia.¹ This is the only interlock between Gulf and the Scotiabank. It is difficult to determine from this information if any one of these banks has the primary relationship with Gulf. The two triple interlocks seem to indicate a dual allegiance. But the single interlock between Scotiabank and Gulf U.S., involving the chairman of the latter, confuses the problem.

The tables, therefore, should not be misconstrued as interest grouping. The intention is merely to identify the corporations under inquiry and the linkages they maintain with Canadian banks.

It should be noted that interlocks between Canadian banks and U.S. parent corporations occur much less frequently than bank-subsidiary interlocks. Since this study is

* This would include Beverley Matthews, a former T.D. Bank director presently sitting on the board of T.D.'s sister, Canada Permanent Trust. Matthews is still an honorary T.D. director.

interested in ties between Canadian banks and U.S. interest groups, these ties between the Canadian banks and the U.S. parent corporations are considered to hold greater significance than the subsidiary interlocks.

Table 1
Interlocks Between Royal Bank and U.S. Corporations in 1977

<u>CB*</u> <u>Rank</u>	<u>Corporation</u>	<u>Parent/Owner</u>	<u>Fortune**</u> <u>Rank</u>	<u>Number of</u> <u>Interlocks</u>
2	Ford of Canada	Ford U.S.	3	1
3	Imperial Oil	Exxon	1	1
6	Chrysler Canada	Chrysler U.S.	10	2
22	Texaco Canada	Texaco U.S.	4	1
34	Canadian Int'l Paper	Int'l Paper	57	2
45	West Coast Transmission	Phillips Petroleum	24	2
61	Dupont Canada	Dupont U.S.	16	1
67	Hudson Bay Oil & Gas	Continental Oil	17	2
71	Union Carbide Can.	Union Carbide U.S.	21	1
84	Pacific Petroleums	Phillips Petroleum	24	2
89	Standard Brands Can.	Standard Brands U.S.	117	2
90	Continental Can Co.	Continental Group	58	1
93	Canadian Utilities	International Utilities	n/a	3
107	Xerox Canada	Xerox U.S.	39	1
147	Ralston Purina Can.	Ralston Purina U.S.	58	2
166	Fiberglas Canada	P.P.G. Industries	99	1
173	Budd Auto Can.	Budd U.S.	193	1
238	Scott Paper Can.	Scott U.S.	166	1
288	Otis Elevator	United Technologies	34	1

*Canadian Business, See P. Hughes, "Canada's Largest Companies," Canadian Business, July, 1977, pp. 52-66.

**Fortune Magazine, See "Directory of the Largest 500 Industrial Companies," May, 1977, pp. 364-391.

Table 1
Continued

<u>Corporation *</u>	<u>Parent/Owner</u>	<u>Fortune Rank</u>	<u>Number of Interlocks</u>
Allied Chemical Can.	Allied Chemical U.S.	80	1
Crum and Forster	Crum and Forster	26F	1
Northwest Nitro-Chem	Int'l Min. & Chem.	181	1
Beatrice Foods	Beatrice U.S.	36	1
Can. Carborendum	Carborendum U.S.	300	1
Colgate Palmolive Can.	Colgate Palmolive U.S.	54	1
Standard Prod. Can.	Standard Prod. U.S.	796	1
PH&H	PH&H	n/a	1
Beneficial Canada	Beneficial U.S.	19F	1
Diamond Shamrock Can.	Diamond Shamrock U.S.	167	1
Bundy Canada	Bundy U.S.	976	1
Liquid Carbonic	Houston Natural Gas	n/a	1
Gillette Can.	Gillette U.S.	157	1
ET&T	AT&T	1U	1
North American Car Can.	North American Car U.S.	n/a	1

F = Diversified Financial Corporation Ranking

U = Utility Corporation Ranking

*These corporations do not appear among CB's top 400.

Table 1
Continued

The following U.S. parent corporations have direct interlocks with the Royal Bank.

<u>Corporation</u>	<u>Fortune Rank</u>	<u>Number of Interlocks</u>
General Motors U.S.	2	1
Chrysler U.S.	10	1
Beatrice Foods U.S.	36	1
IU International U.S.	n/a	1
Standard Brands	117	1
Int'l Min. & Chem.	181	1
Houston Natural Gas	n/a	1

Table 2

Interlocks Between Commerce Bank and U.S. Owned/Controlled Corporations

CB* Rank	Corporation	Parent/Owner	Fortune** Rank	Number of Interlocks
2	Ford of Can.	Ford U.S.	3	1
12	Gulf Can.	Gulf U.S.	7	3
22	Texaco Canada	Texaco U.S.	4	1
29	Can. General Electric	General Electric U.S.	9	2
32	IBM Canada	IBM U.S.	8	
45	West Coast Transmission	Phillips Petroleum	24	1
46	Iron Ore Co. of Canada	Hanna Mining (27%)	461	1
		Bethlehem Steel (17.9%)	33	
		National Steel (16.8%)	76	
64	B.C. Telephone	Gen. Tel. & Elec.	2U	1
67	Hudson Bay Oil & Gas	Continental Oil	17	1
70	Crown Zellerbach Can.	Crown Zellerbach U.S.	104	1
79	General Foods Can.	General Foods U.S.	44	1
154	Commonwealth Holiday Inns	Holiday Inns U.S.	n/a	1
162	Canadian Superior Oil	Superior Oil U.S.	405	1
212	Campbell Soup Co. Can.	Campbell Soup U.S.	136	1
214	Canadian Cannery	Delmonte U.S.	158	1
270	Procor	Product Tankline of Can.(U.S.)	n/a	1
307	Upper Lakes Shipping	Norris Grain	n/a	1
325	Avon Can.	Avon U.S.	157	1
381	Caterpillar Can.	Cat Finance	36	1
7M	Woolworth	Woolworth	8R	1

U = Utility Corporation Ranking

R = Retail Corporation Ranking

M = Merchandising Corporation Ranking (Canadian)

* Canadian Business, See P. Hughes, "Canada's Largest Companies," Canadian Business, July, 1977, pp. 52-66.

** Fortune Magazine, See "Directory of the Largest 500 Industrial Companies," May, 1977, pp. 364-391.

Table 2
Continued

<u>Corporation*</u>	<u>Parent/Owner</u>	<u>Fortune Rank</u>	<u>Number of Interlocks</u>
Shaw & Begg	American Express	3 ^F	1
Avco Can.	Avco U.S.	305	1
McIntyre Porcupine Mines	Superior Oil U.S.	405	1
Nowsco Well	Big Three Industries	556	1
F. W. Horner	Carter Wallace	743	1
Int'l Mining & Chem.	Int'l Mining & Chem. U.S.	181	1
Hilton Canada	Hilton U.S.	n/a	1
Holt Renfrew	Carter Hawley Hale	30R	1

F = Diversified Financial Corporation Ranking

R = Retail Corporation Ranking

* These corporations do not appear among CB's top 400.

Table 2
Continued

The following U.S. parent corporations have direct interlocks with Commerce Bank.

<u>Corporation</u>	<u>Fortune Rank</u>	<u>Number of Interlocks</u>
U.S. Steel	14	1
Caterpillar	36	1
American Can. Co.	64	1
Campbell Soup	136	1
Avco Co.	305	1
Superior Oil	405	1

Table 3

Interlocks Between Bank of Montreal and U.S. Owned/Controlled Corporations

<u>CB*</u> <u>Rank</u>	<u>Corporation</u>	<u>Parent/Owner</u>	<u>Fortune**</u> <u>Rank</u>	<u>Number of</u> <u>Interlocks</u>
12	Gulf Canada	Gulf U.S.	7	1
22	Texaco Canada	Texaco U.S.	4	1
29	Canadian General Electric	General Electric U.S.	9	1
34	Can. Int'l Paper	Int'l Paper	57	1
71	Union Carbide Can.	Union Carbide U.S.	21	1
86	Weldwood Canada	Champion Int'l	68	1
104	Kaiser Resources	Kaiser Industries U.S.	222	1
118	Celanese Canada	Celanese U.S.	106	1
119	Uniroyal Canada	Uniroyal U.S.	95	3
143	Dominion Dairies	Kraftco U.S.	38	1
147	Ralston Purina Canada	Ralston Purina U.S.	58	1
179	Eaton Yale	Eaton Corp. U.S.	121	1
183	Murphy Oil Canada	Murphy Oil U.S.	220	1
214	Canadian Cannery	Delmonte U.S.	158	1
235	Reynolds Canada	Reynolds Int'l U.S.	104	1
354	Canada Dominion Leasing	U.S. Leasing	n/a	1

*Canadian Business, See P. Hughes, "Canada's Largest Companies," Canadian Business, July, 1977, pp. 52-66.

**Fortune Magazine, See "Directory of the Largest 500 Industrial Companies," May, 1977, pp. 364-391.

Table 3
Continued

<u>Corporation*</u>	<u>Parent/Owner</u>	<u>Fortune Rank</u>	<u>Number of Interlocks</u>
Kimberley Clark	Kimberley Clark U.S.	146	2
Diamond Shamrock Alberta	Diamond Shamrock U.S.	167	2
Advocate Mines	Johns-Manville	175	2
Paccar Canada	Paccar Inc. U.S.	180	1
Hilton Canada	Hilton U.S.	n/a	1
Prudential Steel	Cactus Drilling Texas	n/a	1

*These corporations do not appear among CB's top 400.

Table 3
Continued

The following U.S. parent corporations have direct interlocks with Bank of Montreal

<u>Corporation</u>	<u>Fortune Rank</u>	<u>Number of Interlocks</u>
Uniroyal	95	1
Eaton Corporation	121	1
Kimberley Clark	146	1
U.S. Leasing	n/a	1

Table 4

Interlocks Between Bank of Nova Scotia and U.S. Owned/Controlled Corporations

<u>CB*</u> <u>Rank</u>	<u>Corporation</u>	<u>Parent/Owner</u>	<u>Fortune**</u> <u>Rank</u>	<u>Number of</u> <u>Interlocks</u>
12	Gulf Canada	Gulf U.S.	7	1
64	B.C. Telephone	General Tel. & Elec.	2U	2
70	Crown Zellerbach Can.	Crown Zellerbach U.S.	104	1
93	Canadian Utilities	International Utilities	n/a	1
153	Great Canadian Oil Sands	Sun Oil U.S.	23	1
190	Hayes Dana	Dana Corp. U.S.	155	1
192	Famous Players Can.	Gulf & Western U.S.	59	1

U = Utility Corporation Ranking

*Canadian Business, See P. Hughes, "Canada's Largest Companies," Canadian Business, July, 1977, pp. 52-66.

**Fortune Magazine, See "Directory of the Largest 500 Industrial Companies," May, 1977, pp. 364-391.

Table 4
Continued

<u>Corporation*</u>	<u>Parent/Owner</u>	<u>Fortune Rank</u>	<u>Number of Interlocks</u>
Canadian Telephone & Supply	General Tel. & Elec.	2U	1
Royal General Insurance	Continental Corp.	10F	1
Amax Canada	Amax U.S.	189	1
Canadian Tungsten	Amax U.S.	189	1
McGraw Hill Ryerson	McGraw Hill	314	1
Quebec Iron & Titanium	New Jersey Zinc	n/a	1
Montreal Electric	Astrex	n/a	1
Quadrant Development	Quadrant U.S.	n/a	1

U = Utility Corporation Ranking

F = Diversified Financial Corporation Ranking

*These corporations do not appear among CB's 400.

Table 4
Continued

The following U.S. parent corporations have direct interlocks with Bank of Nova Scotia.

<u>Corporation</u>	<u>Fortune Rank</u>	<u>Number of Interlocks</u>
Gulf Oil U.S.	8	1
National Steel U.S.	76	1
Amax U.S.	189	1
Dillingham U.S.	n/a	1

Table 5

Interlocks Between Toronto Dominion Bank and U.S. Owned/Controlled Corporations

<u>CB*</u> <u>Rank</u>	<u>Corporation</u>	<u>Parent/Owner</u>	<u>Fortune**</u> <u>Rank</u>	<u>Number of</u> <u>Interlocks</u>
12	Gulf Oil Canada	Gulf U.S.	7	3
32	IBM Canada	IBM U.S.	8	2
34	Canadian Int'l Paper	International Paper	52	2
60	Mobil Oil Canada	Mobil U.S.	5	1
61	Dupont Canada	E.I. du Pont de Nemours	16	2
62	Westinghouse Canada	Westinghouse U.S.	22	3
71	Union Carbide Canada	Union Carbide U.S.	21	3
77	Goodyear Canada	Goodyear U.S.	23	1
104	Kaiser Resources	Kaiser U.S.	222	1
115	Interprovincial Pipeline	Exxon U.S.	1	1
147	Ralston Purina Canada	Ralston Purina U.S.	58	1
190	Hayes Dana	Dana Corp. U.S.	155	1
195	Canadian Gypsum	U.S. Gypsum	233	2
198	Kellog-Salada	Kellog U.S.	163	1
238	Scott Paper Canada	Scott U.S.	166	1

*Canadian Business, See P. Hughes, "Canada's Largest Companies," Canadian Business, July, 1977, pp. 52-66.

**Fortune Magazine, See "Directory of the Largest 500 Industrial Companies," May, 1977, pp. 364-391.

Table 5
Continued

<u>Corporation*</u>	<u>Parent/Owner</u>	<u>Fortune Rank</u>	<u>Number of Interlocks</u>
Rainbow Pipeline	Exxon U.S. (33%)	1	1
	Mobil U.S. (33%)	5	
South Saskatchewan Pipeline	Mobil U.S. (25%)	5	1
	Union Oil Cal. (25%)	30	
Canadian Niagara Power	Niagara Mohawk Power	22U	1
Canadian Carborendum	Carborendum U.S.	313	1

U = Utility Corporation Ranking

*These corporations do not appear among CB's top 400.

Table 5

Continued

The following U.S. parent corporations have direct interlocks with Toronto Dominion Bank.

<u>Corporation</u>	<u>Fortune Rank</u>	<u>Number of Interlocks</u>
Gulf Oil U.S.	7	1
Continental Corp.	10F	1
E.I. du Pont de Nemours	16	1 ^{1/2} *
Kaiser Aluminium	122	1
Kaiser Industries	222	1
Household Finance	19F	1
Dana Corp.	155	1

F = Diversified Financial Corporation Ranking

* R.J. Richardson, director of Toronto Dominion Bank, is chairman of Dupont Canada. He is also treasurer of the U.S. parent corporation. Although he does not sit on the board of directors of the parent corporation, the fact that he holds both a Canadian chairmanship and an important managerial position in the parent corporation does indicate that some relationship exists between Toronto Dominion and E.I. du Pont de Nemours.

Interlocks Between U.S. Owned/Controlled Corporations

Tables 6 through 10 identify all the interlocks between the U.S. corporations related to Canadian banks. Since interlocks are one of the important indicators of interest grouping, these tables contain enough information to determine, at least in a preliminary manner, the patterns of interlocking that exist and the extent of overlapping at the decision-making levels of these corporations. Both subsidiaries and parent corporations are listed. This allows one to determine whether or not the relationships that occur among U.S. parent corporations continue to occur among their Canadian branch plants. As stated in the last chapter, primary interlocks are more significant indicators than secondary ones. But if banks play a central role in the organization of interest groups, then secondary interlocks involving bankers cannot be underrated. These interlocks can accomplish the same tasks as primary interlocks - exchange of information, co-ordination of activities and solidification of other ties which may exist.

Since this chapter is primarily concerned with presenting the data, it will be left to the next chapter to determine if interest groups connect the American multinationals which dominate the Canadian economy.

Key for Tables 6 through 10

- 1 - vertical sits on horizontal
- 2 - horizontal sits on vertical
- 3 - secondary interlock
- 4 - manager and/or director of U.S. parent holds directorship on board of Canadian subsidiary
- 5 - vertical director holds advisory position on horizontal
- 6 - horizontal director holds advisory position on vertical

Interlocks Between U.S. Corporations and Banks

Tables 11 through 15 identify all interlocks between the U.S. corporations in this study and the major American and Canadian commercial banks and trust companies. (In the interest of conservation of space, a few minor omissions, involving very small banks, were made.) Once again, both subsidiaries and parent corporations are considered, as this allows one to follow relationships across the American border into Canada. In some cases no interlock occurs, but a director from one corporation will occupy an advisory position in a bank. This has been noted with "½". Advisory boards do not hold the keys of power in a bank, but the fact that an advisory interlock occurs still indicates some relationship and may serve to strengthen an already existing relationship. Union Carbide U.S., for example, has both a directorship interlock and an advisory interlock with the Chase Manhattan Bank.

The next chapter will attempt to identify the interest groups which occur and center around the major banks.

Table 12

Financial-Industrial Interlocks for Corporations Tied to the Canadian Imperial Bank of Commerce in 1977.

Table with 10 columns and 100 rows. Columns include bank names and various corporate entities. Rows list banks such as Citibank, Chemical, Chase Manhattan, and others, with corresponding numerical indicators in the columns.

Summary

This chapter has presented ownership and interlock information on all the U.S. multinationals interlocked with the five major Canadian banks.

Tables 1 through 5 identified all the Canadian subsidiaries and their parents or controllers in the U.S. Most of these subsidiaries have either all or a great part of their shares held by the parent corporations. Both the subsidiaries and their parents are among the very largest and most powerful corporations operating in Canada and the U.S. Well over half of the parent corporations in the U.S. ranked among the top one hundred.

Tables 6 through 10 identified all the interlocks, both primary and secondary, among the American multinationals associated with Canada's top five banks.

Tables 11 through 15 showed the links between these multinationals and all the major, and many of the minor, Canadian and U.S. banks and trust companies.

Since this chapter's primary function was to present data, it would be premature to offer any conclusions. In a sense, the following three chapters are "conclusions" of this chapter.

Footnote

1. McAfee was at one time the chairman of Gulf Oil Canada. It was at this time that his relationship with the Bank of Nova Scotia began. When he moved to the chairmanship of Gulf Oil U.S., he retained his directorship on the Scotiabank board.

Chapter Three

This chapter contains an analysis of the data presented in the previous chapter. U.S. multinationals are grouped into communities of interest linked with the major commercial banks.

Since interlocks are used as the prime indicators, it is first necessary that some preliminary comments be made about the meaning of subsidiary interlocks and parent interlocks for determining relations to Canadian banks.

Flow of Power in Financial-Industrial Relationships

It was mentioned briefly in the last chapter that the average amount of subsidiary stock held by the U.S. parent corporations is something in excess of 80%. Stock ownership figures as high as these suggest that the boards of directors of Canadian subsidiaries do not act autonomously. In Tables 6 through 10 the boxes immediately adjacent to the diagonal black boxes indicate the frequency of parent representation on the boards of the Canadian subsidiaries. This high degree of representation supports the claim that the Canadian boards are more adequately depicted as representatives and operationalizers of decisions and policies which have their roots in the offices of the U.S. parent corporations.

In theory a direct interlock between a U.S. parent corporation and a Canadian bank is a stronger indicator of the possibility of a fundamental relationship than a subsidiary interlock. But when the shares of these subsidiaries are so thoroughly controlled by their parent corporations, and is so often the case, key positions on the boards of the subsidiaries are filled by executives and directors from the parent corporations, a subsidiary-bank interlock indicates the strong potential for, if not the actualization of, a relationship between the U.S. parent and the Canadian bank.

As Tables 1 through 5 show, direct interlocks between U.S. parents and Canadian banks are numerous. In the case of the Royal Bank of Canada, 7 U.S. parents are represented on its board. Six parents are represented on the Commerce Bank board. Four U.S. parents sit on the board of the Bank of Montreal, and 4 others are represented on the Scotiabank board. Seven U.S. parents have direct interlocks with the Toronto Dominion Bank.

In total, some 28 major U.S. parent corporations have direct interlocks with Canada's five major banks.

Subsidiary interlocks are, of course, even more numerous. The Royal Bank has 28 interlocks with 19 Canadian subsidiaries among the top 300 Canadian corporations. If all subsidiaries are considered, 41 interlocks occur, involving 31 subsidiaries of U.S. multinationals.

The Commerce Bank has 19 interlocks with 17 U.S. owned subsidiaries among the top 300 in Canada. When all subsidiary corporations are considered, the bank interlocks 30 times with 28 U.S. owned subsidiaries.

The Bank of Montreal has 17 interlocks with 15 U.S. owned subsidiaries among the top 300 in Canada. When all subsidiaries are considered, the bank has 27 interlocks with 21 U.S. owned corporations.

Scotiabank has 8 interlocks with 7 U.S. owned subsidiaries in the top 300, and 16 interlocks with 15 U.S. owned subsidiaries if all are considered.

The Toronto Dominion Bank has 25 interlocks with 15 U.S. owned subsidiaries among the top 300 in Canada. When all subsidiaries are considered, the bank interlocks 29 times with 19 corporations.

In total, Canadian banks have some 143 interlocks with 114 U.S. owned subsidiaries in Canada.

If all interlocks, both parent and subsidiary, are considered, Canadian banks have 171 director interlocks and 142 corporate interlocks.

Problems inevitably arise around the question of the significance of interlocks for determining (a) whether a power relationship exists between interlocked corporations, and (b), in what direction this power relationship flows.

The banks themselves claim that interlocks between banks and corporations are of no importance. They claim

to be concerned with the expertise which an individual can offer the bank. In a brief presented to the Royal Commission on Corporate Concentration, the Toronto Dominion Bank echoed the image which most banks would like to convey.

An important consideration is the particular knowledge of an industry or a region which a director might bring to the Bank board. Closely related to this consideration is the stature of the individual in his community and business, since the image which the Bank may present in a community or within an industry is dependent in part on the reputation of the local directors of the Bank, both in their integrity and business acumen. For the very reason that these individuals have already won prominence in their own fields, they are not dependent on election to the board of a particular bank, or indeed of any bank, for advancement. . . . It is entirely possible that in certain instances, interlocking directorates could be used to extend the power of certain groups or individuals over decision-making processes. We can state unequivocally that we don't use this device to seek to extend in related activities the influence of the Toronto Dominion Bank. . . . Individuals who are elected to the board of the Toronto Dominion Bank are senior executives in their own corporations and their positions and expertise may well have given rise to their election to the boards of other corporations. (These are) individuals of recognized superiority of intellect and experience. 1 (emphasis added)

The brief goes on to claim that interlocks allow directors to learn how other corporations solve their problems, so that they can cope with similar problems in the bank.

In short, banks appear to be claiming that corporate interlocks are of no importance to them whatever.

The T.D. Bank brief claims that corporate concentration is predicated on

a myth which somewhat surprisingly seems to persist in the minds of some sociologists concerning the elitist backgrounds of those responsible for the bank's direction. 2

If we were to believe what the bank wants us to believe, there would be no point in continuing with this research. Banks want us to believe that there is no significance whatever to the primary affiliation of the men selected to direct their banks (other than the fact that they bring stature and expertise with them). They want us to believe that financial-industrial interlocks are fairly arbitrary and of little consequence, and one would expect, if he accepts this image, that these interlocks would occur on a random basis, with no particular logic or pattern. Power and corporate concentration have no meaning in the scheme of things depicted by the bankers. We will address the truth content of this scheme of things later.

Social scientists who argue that the dominant financial institutions are the key power holders in modern capitalist society would conceivably argue that interlocks between a major bank and a major corporation indicate the possibility that the bank is a major creditor and/or a major stockholder. These factors support the hypothesis that, especially in cases of multiple interlocks, a power relationship exists, and the flow of power is from the bank to the corporation. The bankers would have us believe that

this theory is incorrect.

The relationship between a Canadian bank and an American corporation would not exactly fit the above explanation without some qualifications. In light of the better than 80% average ownership of subsidiary stock by the U.S. parents, American subsidiaries in Canada have to answer to the decision-makers of their U.S. parent corporations. This factor makes it difficult to determine what kind of relationship these subsidiaries have with the Canadian banks. There may be a power flow from the Canadian banks to the American-owned subsidiaries, but it seems highly unlikely that this flow of power would extend back to the U.S. parents. It also seems unlikely that a Canadian bank would determine which U.S. parent boards it will interlock with. A more plausible explanation is that American parent corporations will determine which Canadian banks they will establish relationships with and how extensive these relationships will be. In light of this, American corporations probably gain more economic inroads into, and inside information about, the Canadian economy through the interlocking of their subsidiaries with Canadian banks than the latter would gain into and about the American economy. Canadian banks may have input into decision-making processes of the subsidiaries, but it is unlikely that they would have much input into the internal dynamics of the parent corporations which essentially

control these subsidiaries. Yet, inside information which potentially flows from the Canadian bank to the subsidiary may also flow back to the U.S. parent corporation. This fact, coupled with the distinct probability that American parent corporations choose the Canadian banks with whom they will establish intimate ties, rather than the reverse, places Canadian banks in a strategically subordinate position with respect to the American loci of economic power. Whether in fact the American multinational corporate decision-makers actually take advantage of their dominant relationship is difficult to determine. Yet, the potential for power does appear to favour the Americans.

The New York Connections

With regard to the U.S. multinationals in this study, the New York banks dominate the interlock picture in the United States.

Table 16 shows the total numbers of corporate and director interlocks between the multinationals in this study and the 16 largest banks in the U.S. Of the 143 corporate interlocks, 94 (66%) involve six New York banks (Citibank, Chase Manhattan, Chemical, Morgan Guaranty Trust, Bankers Trust, Manufacturers Hanover). Only the Mellon National Bank comes close to the New York banks in numbers of interlocks with the U.S. multinationals explored in this study. Of the 183 director interlocks, 129 (71%) involve these New York Banks.

Table 16

Interlocks between 16 largest U.S. banks
and U.S. multinationals interlocked with
Canadian banks 1977

<u>Bank</u>	<u>Total Corporate Interlocks</u>	<u>Total Director Interlocks</u>
1. Bank of America	7	10
2. Citibank	20	26
3. Chase Manhattan Bank	14	21
4. Manufacturers Hanover Trust	12	19
5. Morgan Guaranty Trust	18	26
6. Chemical Bank	14	16
7. Bankers Trust	16	21
8. Continental Illinois Bank	6	6
9. First National Bank of Chicago	6	6
10. Western Bancorporation	4	4
11. Security Pacific	2	2
12. Wells Fargo Bank	6	6
13. Crocker National Bank	4	4
14. Marine Midland	4	5
15. Charter New York Corporation	0	0
16. Mellon National Bank	9	11

The Bank of America may be the world's largest bank in terms of declared assets but, if these multinationals are in any way reflective of all major U.S. corporations, the Bank of America does not appear to be tied into the most powerful economic circles. The Bank of America focuses on medium size loans to small and mid-sized corporations. It does not, in all likelihood, operate an enormous trust department which might enable it to use other people's money to establish interlocking connections with the largest multinationals. Richard Pelton has estimated that the six New York banks control at least as much capital in their trust departments as their declared assets.* This would make some of them more powerful in practice than the Bank of America is on paper.

It should now be apparent why this study focuses primarily on the New York commercial banks. U.S. multinationals operating in Canada and linked with Canadian banks are overwhelmingly linked to the New York financial circles. Non-New York banks, individually, are only nominally represented on the boards of these multinationals.

Each of six New York banks has interlocks with an average of 15 of the U.S. multinationals which are interlocked with Canadian banks. These corporate interlocks produce an average of 21 director interlocks for each of these

* See page 16 of Chapter One

New York banks. Bank of America, the bank with the world's greatest assets, has less than one half of this kind of representation and participation on the boards of the U.S. multinationals in this study.

Whether or not one chooses to adopt the interest group perspective, the above information is of great importance. It appears beyond question that the U.S. multinationals interlocked with Canadian banks are also linked most intimately with the New York financial circles. If we can speak at all about bank control of the corporations, it would be impossible to overlook the New York banks' control of some of the largest corporations operating in Canada.

There are three major interest groups on the New York scene: The Rockefeller, the Morgan and the Manufacturers Hanover-Prudential (MHP). Peter Dooley has argued that it is no longer possible to separate these groups.³ As far as he is concerned, their interests have progressively overlapped to the point where it has become necessary to treat these formerly separate units as one. The implication here is that the non-financial corporations, once associated more rigidly with either the Rockefeller, Morgan or MHP group, tend now to interlock according to no particular pattern with all of the major New York banks and insurance companies.

Dooley does not elaborate on this claim, nor does he present information in a way which would allow the reader to verify it.

Richard Pelton and James Knowles published their respective studies⁴ after Dooley's 1969 report and both of these men have retained the notion of identifiable New York interest groups.

Knowles' primary focus was on the Rockefeller group, and in the appendix to his The Rockefeller Financial Group,⁵ he explains the justification for viewing the Rockefeller group as distinct from the others. This justification is summarized below.

Knowles obtained data, for the year 1967, on the number of director interlocks between each of the ten largest eastern banks (Chase Manhattan, Citibank, Chemical Bank, First National Bank of Chicago, Morgan Guaranty Trust, Bankers Trust, Manufacturers Hanover Trust, Mellon National Bank, First National Bank of Boston, and Continental Illinois) and the ten largest insurance companies and the twenty largest non-financial corporations with widely dispersed stock, (corporations in which "neither individual interests nor fewer than ten institutions could control as much as 10% of the company's voting stock").⁶

Knowles assumed

that banks which were in an interest group would tend to hold directorships in the same companies. This would increase the amount of influence the core banks could wield within the management of

such firms and would yield a pay-off to the banks in the form of stronger customer relations between the group's banks and the companies involved. . . . It was determined. . . that the correlation coefficients between director interlocks for pairs of banks in the Rockefeller group were significantly higher than those between interlocks for other pairings. 7

It should also be noted that in the research done for this thesis, corporations believed to belong to either the Rockefeller, Morgan or MHP group tend to interlock more frequently with other similarly identified corporations, and less frequently with corporations belonging to one of the other spheres.

It cannot be denied that there is indeed a degree of overlapping in these groups⁸, but there appears to be more justification for treating them as separate, though related, groups. This problem will be addressed again in the next chapter dealing with the tendencies of these groups to focus their Canadian operations on particular Canadian banks.

The Rockefeller Group

James Knowles identified four banks as firmly under the control of the Rockefeller family and associates: Citibank, Chase Manhattan Bank, Chemical Bank and First National Bank of Chicago. His allegations were made on the basis of the high incidence of interlocks between these banks and an identifiable group of insurance companies (Metropolitan Life Insurance, Equitable Life Insurance, and

New York Life Insurance), and on the basis of the historical developments through which these banks have taken their present shapes.⁹

Citibank's connection with the Rockefellers began with its relationship with the Rockefeller-controlled Standard Oil of New Jersey, "cemented by the marriage of two of William Rockefeller's sons to two of James Stillman's (National City Bank) daughters."

David Rockefeller continues a long line of Rockefeller family and associates chairmanship of the Chase Manhattan Bank, and as Knowles points out, the family is the largest shareholder in the bank.¹¹

According to Knowles, the prominent families in the Chemical Bank - the Harkness family and the Aldrich family - have strong ties to the Rockefeller family. The Harkness family is alleged to hold a great deal of Standard Oil stock, and the Aldrich family is related through the marriage of off-spring to members of the Rockefeller family.¹²

First National Bank of Chicago holds the accounts for Standard Oil of Indiana and International Harvester and owns considerable quantities of stock in these corporations. The Rockefellers also own considerable quantities of stock in these two industrial corporations as well as being among the 20 largest shareholders in the bank.¹³

The Morgan Group

At the core of the Morgan circle are the Morgan banks, Morgan Guaranty Trust and Bankers Trust.¹⁴

The Morgan family is the largest shareholder in both of these banks.¹⁵ Pelton observes that both of these banks are allied with other powerful financial institutions: Lehman Corporation, Marine Midland, U.S. Trust, Bank of New York, Brown Brothers Harriman, Mutual Life Insurance, Home Life Insurance, Guardian Life Insurance, and Teachers Insurance.¹⁶

Manufacturers Hanover Group

According to Perlo, Manufacturers Trust and Hanover Trust were not clearly identifiable with any dominant interest group. In 1955 he had linked Hanover Trust with the Woodward family¹⁷ and speculated that both the Morgans and the Rockefellers may have some minor interests in Manufacturers Trust. When Manufacturers Trust and Hanover Trust merged they brought together some major corporations under the influence of one bank with enormous assets. Pelton noted an indirect link between Manufacturers Hanover and the mammoth Prudential Insurance Co.

Prudential and Manufacturers Hanover Trust do not have any directors in common, but the New Jersey banks under Prudential's control are tightly interlocked with Continental Insurance, which is under the control of Manufacturers Hanover Trust. This, their joint control of RCA, plus other interlocks and joint ventures, seems to indicate at least an alliance, if not a group headed by these two. ¹⁸

Pelton suggest that this smaller interest group has weak ties with both the Morgans and the Rockefellers.

Manufacturers Hanover Trust is related more to the Rockefeller circle, interlocking with Metropolitan Life, and its Continental Insurance

interlocks with Chase Manhattan. Prudential Insurance is closer to the Morgan circle; it has a director in common with Morgan Guaranty Trust, Bankers Trust, Brown Bros. Harriman, and Lehman Corporation. 19

Corporations Associated with the New York Interest Groups

As stated before, the six biggest New York banks, or in other words the three New York interest groups, are involved in over 70% of all interlocks among the U.S. multinationals operating in Canada and interlocked with Canadian banks. The following is an analysis of the corporations associated with each of these groups.

Rockefeller Group

The U.S. multinationals interlocked with Canadian banks, most likely to be affiliated with the Rockefellers are as follows: Exxon, General Motors, United Technologies, Continental Group, Allied Chemical, Ralston Purina, Scott Paper, Chrysler, International Paper, Celanese, Sears Roebuck, AT&T, Texaco, and Mobil. Xerox and IBM appear to be more peripherally related and control is probably shared with the Morgan group.

Exxon - It is difficult to state which of the Rockefeller banks is most closely associated with Exxon. It has two interlocks with Citibank and one with Chase Manhattan. In 1967 the figures were reversed. These are the only banks interlocked with Exxon. According to the Patman Committee, eight management funds had shares in Exxon, three controlled

by the Rockefeller banks and three by the Morgan banks.²⁰ First National Bank of Chicago controls over four million shares of Exxon's sister corporation, Standard Oil of Indiana.

Exxon has a primary interlock with United Technologies and a secondary interlock with AT&T.

General Motors - There is some dispute as to whether the Morgans or the Rockefellers have greater control in the affairs of GM. It is known that the Duponts had to sacrifice some of their grip to the New York financiers because the Duponts did not have control of any large banks or insurance companies and needed a large line of credit.²¹

At first the Morgan group attained minority status on the GM board. By the late sixties, the Morgans had four seats and the Rockefellers had three. At present, the Rockefellers have five seats to the Morgans' two seats. Each group controls three management funds.

GM has both a primary interlock and a secondary interlock with AT&T; a primary interlock with Allied Chemical; a primary interlock with Continental Group; and a primary interlock with International Paper.

United Technologies - United Technologies is an amalgamation of corporations, in the last decade, among them Otis Elevator and Pratt-Whitney. There are two directors in common with Citibank.

In addition to the previously mentioned interlock with GM, United Technologies has a secondary interlock with AT&T.

Continental Group - Formerly the Continental Can Co., and not to be mistaken with Continental Corporation, the huge insurance company, Continental Group has two Rockefeller financial interlocks, one each with Citibank and Chase Manhattan. The latter holds in trust five of the 12 management funds, according to the Patman Committee.

Continental Group has a primary interlock with GM and a secondary interlock with Ralston Purina.

Allied Chemical - Richard Pelton has included Allied Chemical in with the Morgan group, based on data from the late sixties. The corporation is friendly with General Motors and probably got caught up in the shift of control of GM to the Rockefellers. It has two interlocks with Chase Manhattan. Rockefeller banks held three of the four management funds uncovered by the Patman Committee in its trust activities investigation.

Allied Chemical has a primary interlock with General Motors.

Ralston Purina - Ralston Purina has long been associated with the Rockefeller group. Citibank is the most powerful bank on its board. No bank has more than one interlock with the company.

Ralston is also interlocked with Continental Group.

Scott Paper - Scott has two interlocks with Chase Manhattan. Pelton linked it with the Boston group which itself has ties with the Rockefeller group. Morgan presence also prevails.

Chrysler - Ten years ago, Chrysler was firmly under the control of the Manufacturers Hanover group, having four interlocks and eight out of 22 funds held in the bank's trust department. Today, Manufacturers Hanover has only one interlock and Chase Manhattan has two.

Chrysler is also interlocked with the Rockefeller-controlled²² New York Life Insurance; Macy's Hewlett-Packard, both Rockefeller-controlled non-multinationals; and the Rockefeller Center. J.S. Dilworth, chairman of the Rockefeller Center, is a long-time family associate, a member of the Rockefeller's Council on Foreign Relations, and a Chrysler director. Clearly, the control of Chrysler has shifted away from the Manufacturers Hanover sphere.

International Paper - This company has two directors in common with Chase Manhattan, and one with Chemical Bank. The corporation has long been associated with the Grace family, who are close associates of the Rockefellers.

International Paper has a primary interlock with both General Motors and with AT&T.

Celanese - This company has two interlocks with Chase Manhattan. The bank has three of the four management funds revealed by Patman. First National Bank of Chicago holds the other.

Sears Roebuck - Chemical, Citibank and First National Bank of Chicago each have an interlock with Sears. The latter bank holds in its trust department 24.6% of the shares, according to the Patman Committee.

AT&T - AT&T has four interlocks with Rockefeller banks, two with Chemical, and one each with Citibank and Chase Manhattan.

AT&T has a secondary interlock with Exxon; both a primary and a secondary interlock with General Motors; a primary interlock with International Paper; and a secondary interlock with Texaco.

Texaco - Texaco has no bank interlocks and may, perhaps, be what the managerialists term a management-controlled firm. However, it does have a director sitting on an advisory board for the Chemical Bank.

Mobil - Mobil's ties with the Rockefellers are well known. At present it has two interlocks with the Chemical Bank.

The Morgan group appears to have influence in this firm's affairs; there are two interlocks with Bankers Trust.

The Morgan Group

The corporations believed to be associated with the Morgan group are: Standard Brands; Ford; Niagara Mohawk Power; Avon; Avco; St. Joe Minerals; U.S. Steel; Campbell Soup; General Electric; Bethlehem Steel; Continental Oil; American Can; and Hanna Mining. IBM appears to be shared with the Rockefellers, but the Morgan influence appears to be stronger. This is also the case with General Foods.

Standard Brands - Pelton linked this company with the Morgan group. Morgan Guaranty Trust (MGT) is the largest bank interlocking with the company, and while there is only one interlock, the two other American banks on the board do not have more directors. According to the Patman Committee, two of three management funds are held by MGT.

Ford - Pelton also linked this company with the Morgan group. Morgan Guaranty Trust shares a director with Ford, as does Bankers Trust. A decade ago, Morgan Guaranty had two interlocks with Ford.

Ford has interlocks with IBM and Hanna Mining. Both of these are secondary.

IBM - IBM has one interlock with Morgan Guaranty, one with Bankers Trust, one with Bank of New York, and one with Marine Midland, thus giving it four interlocks with Morgan banks. Patman uncovered two management funds, one held

in the trust department of Morgan Guaranty and the other in Bankers Trust.

Rockefeller influence is strong in the company; Citibank has three interlocks, however, the Morgan influence appears to be stronger.

IBM has a primary interlock with American Can Co., Avco, Hanna Mining, two primary interlocks with Continental Oil; a secondary interlock with Ford, and an advisory interlock with the board of directors of General Foods.

Niagara Mohawk Power - This company has one interlock with MGT and one with Marine Midland. The former holds the single management fund owning a strong block of shares in the company. Marine Midland handles all of the fiduciary transactions for Niagara Mohawk.

It is interesting to note, however, that when Perlo did his research, Mellon Bank, under a dummy name held some 200,000 shares of Niagara. This may account for the Mellon representation on the board of the subsidiary Canadian Niagara Power.

Bethlehem Steel - This company has two interlocks with Morgan Guaranty Trust, more than either of the other two smaller banks on its board.

Bethlehem is interlocked with Campbell Soup, and General Electric. Both are secondary interlocks.

Avon - Avon's only banker-director sits on the board of Morgan Guaranty Trust. The bank holds 6.5% of the company's shares, with sole voting rights over 4.3%.

Avon has a secondary interlock with Avco.

St. Joe Minerals - This company has an interlock with MGT. This is its only bank interlock. A decade ago, there were two common directors, one each with Morgan Guaranty and Bankers Trust. MGT's trust department holds 7.4% of St. Joe's shares, with sole voting rights on 3.6%.

U.S. Steel - Pelton argued that control of this company has shifted from the Morgans to the Rockefellers. It now appears that control has shifted back. MGT has three interlocks with U.S. Steel. It is not known how much of U.S. Steel's stock is owned by the bank, but with three directors this must be decidedly great.

Campbell Soup - This company has for a long time had two MGT interlocks and one with Bankers Trust. The Philadelphia interest group holds 11.9% of Campbell's shares but has sole voting rights over only 0.2%.

Campbell has interlocks with Bethlehem Steel, Ford and General Electric.

General Electric - GE has long been associated with the Morgans. It has three directors in common with MGT.

GE also has primary interlocking with Continental Oil; and secondary interlocks with Bethlehem Steel, Hanna

Mining, American Express (believed to be jointly controlled by the Morgans and the Rockefellers), and Campbell Soup.

Continental Oil - This company has an interlock with Bankers Trust. A decade ago it had four interlocks with Morgan banks.

This marked decline in interlocks with Morgan banks might indicate a shift in its alliances but this does not appear to be the case, as indicated by the high incidence of interlocking with Morgan-controlled companies; two primary interlocks with IBM, a primary interlock with American Express, and another primary interlock with General Electric; in addition it has a secondary interlock with General Foods.

American Can Co. - American Can has long been tied with the Morgans. It has two Bankers Trust interlocks and one each with U.S. Trust and Bank of New York, making a total of four Morgan bank interlocks. Five of its seven funds are held in trust by Bankers Trust.

American Can has a primary interlock with IBM, a primary interlock with American Express, and two secondary interlocks with Hanna Mining.

Hanna Mining - This company has two interlocks with Bankers Trust. The Cleveland group appears to share some of the control.

Hanna Mining has two secondary interlocks with IBM, and one each with Ford and General Electric.

General Foods - Control of General Foods appears to have shifted from the Rockefellers to shared control with the Morgans. A decade ago, the Patman Committee found six interlocks with Rockefeller banks to the Morgans' one interlock. However, Bankers Trust held three of five management funds. At present, the Morgans have equal representation on the board of the corporation.

General Foods has a secondary interlock with Continental Oil. In addition, a General Foods director holds a position on one of IBM's advisory boards.

Avco - Avco was linked, in Pelton's study, with the Morgan group, although its single bank interlock is with the Rockefellers' Chemical Bank. It appears that the Boston group is important in this company's affairs also. State Street Bank & Trust of Boston holds in trust 7.4% of Avco's shares. Thus, it is not possible to claim with authority that this is a Morgan company. In Canada, however, it appears to act like a Morgan company.

Avco does have U.S. interlocks with Morgan companies: a primary interlock with IBM and a secondary interlock with Avon.

The Manufacturers Hanover (Prudential) Group

This group is much smaller than the previously

discussed groups. The others had two or more major banks associated with them, and a number of large insurance companies. While the list of corporations in this group is shorter, they are, nonetheless, important corporations. It should also be recalled that these are only multinationals that interlock with Canadian banks. There are undoubtedly other multinationals associated with this group, as is the case for the other two interest groups previously discussed. In addition, there are a number of important non-multinationals associated with this group but not discussed in this thesis. The corporations of concern in this study are Union Carbide, Dana Corporation, and Continental Corporation.

Union Carbide - This company has long been associated with the Manufacturers Hanover group. There are two interlocks with the bank, down one from a decade ago but still more than any other bank on its board. Manufacturers Hanover (MH) holds in trust all four management funds and two employee trusts uncovered by the Patman Committee. These employee trusts total some 583,000 shares.

Union Carbide has a primary interlock with Continental Corporation.

Continental Corporation - This diversified financial corporation has long been closely associated with MH. It has four directors in common with the bank.

Continental Corporation has a primary interlock with Union Carbide.

Dana Corporation - Manufacturers Hanover has two of the three bank interlocks with Dana. The bank holds in its trust department 5.4% of Dana's shares, and has voting rights over all of this. Fidelity Union Trust, another smaller member of the Manufacturers Hanover group holds, and has sole voting rights to, another 5.4%. This gives the interest group sole voting rights over 10.8% of Dana shares.

Summary

This chapter has shown that the U.S. parent corporations of the Canadian subsidiaries interlocked with Canada's five top banks can, to a great extent, be grouped into the New York interest groups under the control of the Rockefellers, the Morgans and the Manufacturers Hanover people.

Each group is comprised of an identifiable set of corporations which tend to be linked not only to the core financial institutions in each group, but to other corporations within the respective groups.

The fact that two-thirds of all bank-corporation interlocks among the multinationals researched in this study involve the six largest New York banks, which themselves are under the control of three powerful financial interest groups,

suggests that the New York financial elites, in addition to their respective interest group corporations, have their fingers in many other corporate pies across the country, and in Canada as well.

In the next chapter it will be shown that these interest groups remain intact in Canada and link up fairly consistently with particular Canadian banks.

Footnotes

1. Brief presented by the Toronto Dominion Bank to the Royal Commission on Corporate Concentration, pp. 23-26.
2. Op. cit., p. 19.
3. Peter Dooley, "The Interlocking Directorate," American Economic Review, 59, June 1969, p. 320.
4. Richard Pelton, "Who Really Rules America?," Progressive Labor, Vol. 7, July 1970, pp. 16-36; James Knowles, The Rockefeller Financial Group, Warner Modular Publications, no. 343, pp. 1-59.
5. Knowles, Op. cit., pp. 54-56.
6. Op. cit., p. 54n.
7. Op. cit., pp. 54-55.
8. "The other side of this behind-the-scenes struggle is a growing unity between the Morgan and Rockefeller circles. This is evidenced in the growing number of common directors serving both groups:

The Chemical Bank and the First National City Bank - each has a common director with the Morgan controlled Mutual of New York.

Morgan Guaranty Trust and Bankers Trust - each has a director in common with Rockefeller's Metropolitan Life.

Morgan Guaranty Trust and its ally, Brown Brothers Harriman - each has a director in common with Rockefeller's New York Life.

Rockefeller's Equitable Life has a director in common with the Morgan allied Bank of New York.

First National City Bank also interlocks with Morgan's Home Life"., Pelton, Op. cit., p. 23.
9. Knowles, Op. cit., p. 5.
10. Op. cit., p. 7.
11. Op. cit., p. 8.

12. Ibid.
13. Op. cit., pp. 8-9.
14. Pelton, Op. cit., p. 22.
15. Victor Perlo, The Empire of High Finance, New York, International Publishers, 1957, p. 67.
16. Pelton, Op. cit., p. 16 and pp. 33-34.
17. Perlo, Op. cit., p. 67.
18. Pelton, Op. cit., p. 24.
19. Ibid
20. This is another example of the overlapping of the Morgan and Rockefeller groups.
21. Pelton, Op. cit., p. 28.
22. Knowles, Op. cit., p. 6.

Chapter Four

In the last chapter it was shown that many of the U.S. multinationals interlocked with Canadian banks can be traced to the three major New York-based interest groups. The present chapter shows that these New York groups focus their Canadian interests on particular Canadian banks.

The Rockefeller Group and the Royal Bank of Canada

Exxon - Imperial Oil - A review of the board of directors of Imperial Oil of Canada shows that this corporation has no interlock ties to any Canadian corporations regardless of their ownership. Most of the directors of this company are internally recruited from management or from the head offices in the U.S. Imperial Oil is 67% owned by Exxon and one would presume that most of the orders come from the U.S.

The only Canadian bank interlocking with Exxon is the Royal Bank of Canada.

General Motors - G.M. of Canada has no bank interlocks. Like Exxon, its decisions are made, in the main, by the U.S. parent, and thus its directors are internally recruited senior managers.

The parent corporation, however, has a primary interlock with the Royal Bank of Canada. This same director, Earle McLaughlin,¹ chairman of the Royal Bank, forms an interlock between General Motors and Allied Chemical of Canada.

These two corporations are interlocked via J.T. Connor, chairman of Allied Chemical, in the U.S. Connor also sits on the board of the Chase Manhattan Bank.

McLaughlin also forms links between General Motors and Ralston Purina Canada, and Canadian International Paper. Both corporations are identified with the Rockefeller group.

United Technologies - Otis Elevator of Canada - Otis is interlocked with the Royal Bank of Canada and also with the Rockefeller's Citibank. The subsidiary board is dominated by directors from the parent corporation.

Otis of Canada is also interlocked with Exxon and Celanese Canada.

Continental Group - Continental Can Co. of Canada's only interlock with a Canadian bank is, of course, with the Royal Bank. It is also interlocked with Citibank via R.S. Hatfield, chairman of the U.S. parent, who also sits on the board of the Canadian subsidiary.

Allied Chemical - Allied Chemical of Canada's only Canadian bank interlock is with the Royal Bank. The other directors are all insiders of the parent corporation.

Ralston Purina - Ralston Purina of Canada has two interlocks with the Royal Bank and one each with Bank of Montreal and the Toronto Dominion.

The corporation is also interlocked with Allied Chemical of Canada.

Scott Paper - All but two of Scott Paper of Canada's directors are internally recruited. The two exceptions involve banker-directors. One of these occupies a position on the board of the Royal Bank and the other sits on the board of the Toronto Dominion Bank.

Chrysler - Chrysler of Canada has two interlocks with the Royal Bank of Canada. In addition, a Chrysler director occupies a position on an advisory board for the Royal Bank's close associate, the Montreal Trust Company.

The Royal Bank of Canada also interlocks with the parent company in the U.S., in the person of John Coleman. In addition to his two positions on the boards of the Chrysler parent and subsidiary, Coleman sits on the parent and subsidiary of the Beatrice Foods organization. Although no clear connection exists between Beatrice and the Rockefeller group, there may be an association between Chrysler and Beatrice, personified by Coleman.

Two secondary interlocks occur between Chrysler of Canada and Xerox Canada. Control of the latter is believed to be shared by the Rockefeller and Morgan groups.

A secondary interlock occurs between Chrysler Canada and Colgate Palmolive Canada. Pelton linked the latter with the Rockefeller group, although at present there are no interlocks in the U.S. which attest to this. Incidentally, Colgate Palmolive Canada is interlocked with the Royal Bank of Canada.

International Paper - Canadian International Paper has two Royal Bank interlocks, as well as an interlock, via J.S. Smith, chairman of both the parent and subsidiary, with Chase Manhattan Bank. There are also two interlocks with the Toronto Dominion Bank and one with the Bank of Montreal, but the link with the Royal Bank appears to be stronger.

There is also an interlock with Peterson Howell and Heather (PH&H), which itself is interlocked with the Royal Bank of Canada.

Sears Roebuck - Simpson Sears has two interlocks with the Royal Bank, outweighing a single interlock with the Commerce Bank. Simpson Sears also interlocks with the Chemical Bank in the U.S.

AT&T - ET&T - Eastern Telephone and Telegraph's only banker-director is from the Royal Bank.

Texaco - Texaco Canada has interlocks with the Royal, Commerce and Bank of Montreal. Thus, the Royal presence is not dominant, but a connection still exists between this Rockefeller-linked corporation and the Royal Bank.

Summary of the Rockefeller - Royal Situation

There is a good deal of evidence suggesting that the Rockefeller interest group focuses its Canadian operations on the Royal Bank. With a few exceptions, the U.S. multinationals linked with the Rockefeller group, its banks and industrial corporations, are also linked with the Royal Bank.

In addition to the high incidence of interlocking

between Rockefeller-controlled corporations and the Royal Bank, Chase Manhattan Bank and the Royal Bank jointly share ownership of Orion, an international banking corporation.²

In all likelihood, a U.S. corporation controlled by the Rockefeller group which decides to set up operations in Canada will take advantage of the intensive relations already established between the Rockefeller group and the Royal Bank of Canada and will probably follow suit in its selection of a Canadian bank.

The Morgan Group and the Canadian Imperial Bank of Commerce

Ford - The top men on Ford of Canada's board appear to be insiders from the parent corporation. Ford is interlocked with the Commerce Bank as well as with the Royal Bank.

Avon - Avon of Canada's only bank interlock is with the Commerce Bank. Most of the directors are from the parent company.

Avco - Avco of Canada's primary bank is the Commerce. At the time this research was done, J.A. McDougald was chairman of Avco Canada and also a director of the parent corporation. This formed an interlock between the Commerce Bank and both the Canadian and U.S. Avco companies.

Avco of Canada is also interlocked with Iron Ore Company of Canada, ownership of which is shared by Morgan-controlled Bethlehem Steel, Hanna Mining and Argus-controlled Hollinger Mining.

St. Joe Minerals - Can Del Oil - Most of Can Del's directors are from the parent board, but there is one interlock with a Canadian bank, the Commerce. National Trust also interlocks with Can Del.

U.S. Steel - U.S. Steel has no Canadian subsidiaries interlocking with a Canadian bank. The corporation is itself interlocked with the Commerce Bank.³

Campbell Soup - The Commerce Bank is the primary bank for Campbell Soup of Canada. The Commerce interlocks directly with the parent corporation.

In addition, the president of Campbell Soup U.S. sits on an international advisory council for the Commerce Bank.

General Electric - C.G.E. shares two directors with the Commerce Bank. This outweighs the single interlock with the Bank of Montreal.

Bethlehem Steel, Hanna Mining - Iron Ore Company of Canada - Iron Ore Company is jointly owned by Bethlehem, Hanna and Hollinger, and numerous directors come from these companies. The Commerce Bank is the only Canadian Bank interlocking with Iron Ore Company, having two directors in common.

American Can Company - American Can does not have a subsidiary interlocking with a Canadian bank. It does, however, interlock directly with the Commerce Bank.

Continental Oil - Hudson Bay Oil & Gas - The Canadian subsidiary does not quite fit the picture.⁴ It has an interlock with the Commerce Bank, but it has two interlocks with the Royal Bank. Even though the Commerce Bank is not dominant on its board, there is still a connection between this Morgan group corporation and the Commerce Bank.

IBM - IBM is in the same position as Continental Oil. There is, of course, an interlock with the Commerce Bank. But the Toronto Dominion Bank has two interlocks with IBM. The Morgan-CIBC connection still exists, however.

Summary of Morgan Group-Commerce Situation

Once again it is possible to show a connection between a New York financial group and a Canadian bank. There is a good deal of evidence to support the claim that the Morgan empire focuses its Canadian operations on the Canadian Imperial Bank of Commerce. With a few exceptions, the U.S. multinationals linked with the Morgan group are also linked with the Commerce Bank in Canada.

Likewise, it is possible to predict that a Morgan corporation will probably take advantage of the already established ties between the group and the Commerce Bank and set up its Canadian operations with close ties with the Commerce Bank.

Manufacturers Hanover (Prudential) Group and T.D. Bank

Union Carbide - Union Carbide of Canada is firmly linked with the Toronto Dominion Bank. The corporation has three interlocks with this bank, as well as an interlock with T.D.'s sister trust company, Canada Permanent Trust. These interlocks outweigh the single Royal interlock. Canada Permanent Trust is the sole fiduciary agent for Union Carbide of Canada.

Continental Corporation - Royal General Insurance, Dominion Insurance - Each of the two subsidiaries has an interlock with the Toronto Dominion Bank. In addition, Allen Lambert, chairman of the T.D. Bank sits on the board of the parent Continental Corporation as well as on several of the boards of many of the American insurance companies owned by Continental.

Dana - Hayes Dana - Hayes Dana uses the Toronto Dominion Bank as its primary bank. Not only does the subsidiary interlock with the bank, but banker S.T. Paton also sits on the board of the U.S. parent. Canada Permanent Trust, Toronto Dominion Bank's sister trust company, handles the fiduciary business for Hayes Dana.

Summary of Manufacturers Hanover (Prudential) - T.D.

Situation

Manufacturers Hanover (Prudential) is a smaller but powerful New York financial group. Three of its multinationals

interlock with Canadian banks, and the Toronto Dominion Bank is clearly the bank selected to handle this group's Canadian operations.

It is interesting to note that Richard Thomson, president and chief executive officer of the Toronto Dominion Bank, also sits on the board of the Canadian subsidiary of Prudential Insurance Company, further evidence of the community of interest discussed in the last chapter.

Exceptions

Not all of the corporations researched fit the picture. As mentioned, Continental Oil and IBM, both linked to the Morgan group, and in the case of IBM, with the Rockefeller group, do not interlock in the predicted manner with Canadian banks. The Morgan-Commerce connection still exists for these corporations, but other Canadian banks appear to be represented to a greater extent on their boards.

Celanese Co. of Canada, linked with the Rockefeller group in the U.S., should interlock with the Royal Bank, but it interlocks with the Bank of Montreal.

Kraft U.S. has three interlocks with Manufacturers Hanover Trust Co. It has no interlocks with Canadian banks. However, one of its subsidiaries, Dominion Dairies Canada, interlocks with the Bank of Montreal. The dairy company was not always a subsidiary of Kraft, however, and

presumably its bank connections were established before the merger.

Niagara Mohawk Power has been identified with the Morgan group. Its subsidiary, Canadian Niagara Power, has only one bank interlock. Beverley Matthews is a Canada Permanent Trust director and also an honorary Toronto Dominion Bank director. Matthews is also a director for Gulf Oil Canada and Gulf Oil U.S., a known Mellon group corporation. He also directs another Mellon corporation, Westinghouse Canada. In the last chapter it was stated that the Mellon Bank, under a dummy name, held 200,000 shares in Niagara Mohawk Power. Perhaps Matthews is on the board of the Canadian subsidiary looking out for these Mellon interests.

It would be difficult to explain these few anomalies without historical analysis. It should be realized that the exceptions are far outweighed by cases which follow the general tendency of corporations associated with particular interest groups to interlock with specific Canadian banks. Since this thesis is an attempt to freeze at a moment in time the myriad relationships that exist in the higher circles of the Canadian and American economies, with the purpose of identifying and documenting the major tendencies in the relations between the Canadian and U.S. financial sectors, historical analysis of the causes underlying these few anomalies is neither in the spirit of the thesis

nor would it seriously help or hinder our attempts to map out these major tendencies.

Whether, for example, Dominion Dairies (a subsidiary of Kraft Canada, which itself is a subsidiary of Kraftco U.S.) does not follow the general pattern because it had already established mutually beneficial relations with a bank before it was bought out, or, because a particular individual who happened to be a Bank of Montreal director personally held a great deal of Dominion Dairies shares, does not alter the fact that it is an anomaly, nor does it greatly strengthen or weaken the central thesis of this study.

Summary of Chapter Four

Table 17 shows the frequency of financial-industrial corporate and director interlocks between U.S. multinationals interlocked with Canadian and U.S. banks. Of course, only U.S. multinationals interlocked with Canadian banks are included in this chart. The chart shows a high incidence of connections between the Rockefeller group and the Royal Bank of Canada; the Morgan group and the Canadian Imperial Bank of Commerce; and the Manufacturers Hanover (Prudential) group and the Toronto Dominion Bank.

Rockefeller - Royal

A) Citibank - Royal

Of the 20 U.S. multinationals interlocked with a

Table 17

Frequency of financial-industrial corporate and director interlocks between U.S. multinationals and the largest Canadian and U.S. banks

U.S. Bank	Canadian Bank											
	Int.		Royal		CIBC		Bk. Mont.		BNS		T.D.	
	C	D	C	D	C	D	C	D	C	D	C	D
1.*Bk. America	7	10	2	2	2	4	2	2	1	1	4	4
2. Citibank	20	26	10	13	7	9	5	5	0	0	6	9
3. Chase Man.	14	21	9	14	3	3	4	6	0	0	4	7
4. Man. Hanover	12	19	3	4	4	4	4	7	2	3	4	9
5. Morgan Guar.	18	26	6	8	9	15	3	5	0	0	6	6
6. Chemical	14	16	4	5	7	7	3	4	2	2	4	5
7. Bankers Tr.	16	21	5	7	8	10	5	7	2	2	3	5
8. Cont. Ill.	6	6	4	4	4	4	1	1	0	0	2	2
9. First Nat. Chic.	6	6	4	4	3	3	0	0	0	0	0	0
10. Western Bk.	4	4	0	0	4	4	2	2	1	1	1	1
11. Sec. Pacific	2	2	0	0	0	0	2	2	0	0	0	0
12. Wells Fargo	6	6	2	2	4	4	2	2	0	0	1	1
13. Crocker	4	4	2	2	2	2	2	2	0	0	1	1
14. Mar. Midland	4	5	1	2	1	1	1	1	0	0	2	2
15. Charter N.Y.	0	0	0	0	0	0	0	0	0	0	0	0
16. Mellon	9	11	6	8	1	1	2	2	1	1	4	4

C = Corporate

D = Director

*Ranked by assets; see Fortune Magazine, "Directory of the 500 Largest U.S. Industrial Companies," May, 1977, pp. 364-391.

Canadian bank and with Citibank in the U.S., 10 corporations (50%), involving 13 director interlocks (50%), also appear on the Royal Bank of Canada's board, either directly or through subsidiaries.

B) Chase Manhattan - Royal

Of the 14 U.S. multinationals interlocked with Canadian banks and with the Chase Manhattan Bank, 9 corporations (64%), involving 14 director interlocks (67%), also appear on the Royal Bank of Canada's board, either directly or through subsidiaries.

C) Chemical - Royal

Of the 14 U.S. multinationals interlocked with Canadian banks and with the Chemical Bank in the U.S., 4 corporations (29%), involving 5 director interlocks (31%), also appear on the board of the Royal Bank of Canada, either directly or through subsidiaries.

Morgan - Commerce

A) Morgan Guaranty Trust - Commerce

Of the 18 U.S. multinationals interlocked with Canadian banks and with the Morgan Guaranty Trust Company, 9 corporations (50%), involving 15 director interlocks (58%), also appear on the board of the Canadian Imperial Bank of Commerce, either directly or through subsidiaries.

B) Bankers Trust - Commerce

Of the 16 U.S. multinationals interlocked with Canadian banks and with the Bankers Trust Co. in the U.S.,

8 corporations (50%), involving 10 director interlocks (49%), also appear on the board of the Canadian Imperial Bank of Commerce, either directly or through subsidiaries.

Manufacturers Hanover - Toronto Dominion

Of the 12 U.S. multinationals interlocked with Canadian banks and with the Manufacturers Hanover Trust Company in the U.S., 4 corporations (33%), involving 9 director interlocks (47%), also appear on the board of the Toronto Dominion Bank, either directly or through subsidiaries.

Actual vs. Expected Frequencies of Ties Between Canadian Banks and New York Interest Groups

Table 18 shows the frequencies of ties, through common corporations, between the New York interest groups - the Rockefeller, Morgan, and Manufacturers Hanover groups⁵ - and the Canadian banks associated with them. These ties are compared with what would be expected if all ties were randomly distributed. We would expect interlocks to be randomly distributed if we were to accept the claims by bankers that a) their directors are hired on the basis of superior intellect and experience and, b) they do not use interlocks for the purposes of expanding their spheres of power.

As Table 18 shows, interlocks between Canadian banks and New York interest groups are not randomly distributed.

Table 18

Actual and expected ties, through common corporations,
between the New York interest groups and Canadian banks

	<u>Rockefeller</u>		<u>Morgan</u>		<u>Man. Hanover</u>		
	Act.	Exp.	Act.	Exp.	Act.	Exp.	
Royal	32	26.2	15	18.6	4	6.2	51
T.D.	21	21.1	11	14.9	9	5.0	41
Commerce	19	24.7	25	17.5	4	5.8	48
	72		51		17		140

$\chi^2 = 12.20$. This is significant at the .025 level of
significance for 4df.

Each Canadian bank showed stronger than expected ties with one particular New York group. Conversely, each Canadian bank showed less than the expected numbers of ties to corporations associated with other New York interest groups. The deviations of the actual numbers of ties from the expected numbers were found by a chi-square test to be significant at the .025 level of significance.

Of the 51 ties between the Royal Bank and corporations tied to the three New York interest groups, 63% (32) occur with corporations most closely tied to the Rockefeller financial institutions.

Similarly, 52% (25) of the Commerce Bank's ties to corporations linked to the New York groups occur with Morgan-controlled corporations.

The T.D. Bank appears to be the bank most closely linked with the M.H. group. While the T.D. Bank has a greater number of interlocks with each of the other groups, in both cases these numbers are lower than what would be expected under random distribution. We must take into account the fact that the Rockefeller and Morgan groups are much larger than the M.H. group, and their multinational operations in Canada, as indicated by the numbers of interlocks with Canadian banks, reflect the extent to which they overshadow M.H. group. It is not surprising, therefore, that the Toronto Dominion Bank will have a greater number of interlocks with corporations associated with these other groups.

It is important to note, however, that over one-half of the M.H. group's total number of interlocks with Canadian banks occurs with the T.D. Bank, and that both the Royal and the Commerce have less than the expected numbers of interlocks with this group.

The table indicates that there definitely are tendencies by the New York interest groups to concentrate their Canadian operations on specific Canadian banks. The interlockings of the New York groups with other Canadian banks requires some explanation. Tables 11 through 15 show that most of the U.S. multinationals in this survey, and we can surmise that this would apply to most large corporations in general, have participation on their boards by more than one bank. In some cases, bankers from other interest groups will appear on the boards of corporations normally associated with one particular interest group. These instances were mentioned in chapters three and four as far as they pertain to the three New York interest groups, and a review of these chapters reveals that in the majority of cases extra-group interests do not have an equal or greater number of interlocks than the main groups associated with these corporations. (Other groups or banks may be present on a corporation's board because they may hold some of its stock in their trust departments.)

The situation is much the same in Canada. The Royal Bank, for example, has less than the expected number

of interlocks with the Morgan corporations but, nonetheless, there are 15 interlocks. The same tendency holds true for the Commerce and T.D. Banks. Each has interlocks with U.S. multinationals associated with other interest groups. However, when a Canadian bank interlocks with a U.S. multinational from another group, it usually does so as a secondary bank and will not have a greater number of interlocks with the corporation than does the Canadian bank normally associated with this group. The Bank of Montreal is a secondary Canadian bank on the C.G.E. board because its single interlock is outweighed by the Commerce Bank's two interlocks.

Footnotes

1. The tie between the Royal Bank and General Motors U.S. arises out of the takeover of the McLaughlin Company, headed by Earle McLaughlin's (chairman of the Royal Bank) grandfather. This was at a time when the Dupont family had unambiguous control of General Motors. Thus, while the historical reasons behind this interlock between the Royal Bank and General Motors are not tinged with the Rockefeller group's influence, the interlock does serve whatever purposes may be required of it by the present body of decision-makers, much of which is influenced by the Rockefeller group.
2. See Financial Post, Survey of Industrials, Toronto, Maclean Hunter, 1977.
3. U.S. Steel does not own any subsidiary among the top 400 in Canada. The interlock between the company and the Canadian Imperial Bank of Commerce involves an insider from the steel company occupying a position on the board of the bank. This tends to support the hypothesis that the Morgan group is influential in the affairs of the Commerce Bank.
4. See the discussion of anomalies on pp. 96-98.
5. Since our primary interest here is the extent to which New York interest groups focus on specific Canadian banks, the New York banks were lumped together. Thus, the ties between the Royal Bank and the Rockefeller group are reflected in the interlocks between the Royal Bank and U.S. multinationals which are themselves tied to one or more of the Rockefeller banks - Chase Manhattan, Citibank, and Chemical Banks. Similarly, the Morgan group refers to the Morgan Guaranty Trust Company and Bankers Trust. The Commerce Bank's ties to this group are reflected in its interlocks with U.S. multinationals which are themselves interlocked with these Morgan banks. The smaller Manufacturers Hanover (Prudential) group has only one major bank in its control. The Toronto Dominion Bank's ties to this group are reflected in its interlocks with corporations which are themselves interlocked with the Manufacturers Hanover Bank. When each New York bank is treated as a separate unit, the deviations of the actual from the expected numbers of ties are greater in some cases and less in others. But we must keep in mind that our hypothesis is concerned with ties between Canadian banks and New York interest groups and not so much with the individual relations between U.S. and Canadian banks.

Chapter Five

The last two chapters explored the connections between the three major New York interest groups and Canada's largest banks. The present, brief chapter discusses the regional U.S. interest groups and their relationships with Canadian banks. It should be recalled that these non-New York interest groups are not as powerful as the New York groups, the scope of their interests being more regional than national in nature. It should also be recalled that two-thirds of all the interlocks between the U.S. multinationals in this study and U.S. banks involve the six largest New York banks associated with either the Rockefeller, Morgan or Manufacturers Hanover group.

Mellon Group

Both Perlo and Pelton have included Gulf Oil, Westinghouse, and Carborendum with the Mellon group.

Gulf Oil - In the U.S. Gulf Oil has interlocks with two Mellon banks: Mellon National Bank and Pittsburgh National Bank. Gulf's U.S. chairman is Jerry McAfee, formerly chairman of the Canadian subsidiary until the U.S. position became vacant a few years ago. McAfee was at that time a director of the Bank of Nova Scotia. He retained this directorship when he moved into the top position at the head office.

Gulf Oil Canada has an abundance of interlocks with Canadian banks. Even though there are no interlocks between the subsidiary and the Bank of Nova Scotia, the bank remains the primary banker for Gulf Canada. In addition, there are three interlocks with the Canadian Imperial Bank of Commerce, and one with the Bank of Montreal.

However, there appears to be stronger ties with the Toronto Dominion Bank. Gulf Canada has two interlocks with the Toronto Dominion Bank. There is an additional interlock of a sort with the T.D. Bank, which also involves Gulf U.S. Beverley Matthews used to be a vice-president and director of the T.D. Bank until he switched to a directorship position on the board of the Canada Permanent Trust Company. (The Financial Post Survey of Industrials lists these two corporations as owning a great deal of each other's stock. In addition, Park and Park's study two decades ago indicated the existence of numerous interlocks between these two firms before such interlocks were made illegal.) Matthews now holds an honorary directorship on the T.D. board. He is also a director of Gulf Oil U.S. and Gulf Oil Canada.

Matthews also establishes an interlock between Gulf (parent and subsidiary) and Westinghouse Canada, another Mellon-dominated firm. Furthermore, Matthews sits on the board of Canadian Niagara Power, the subsidiary of Morgan-dominated Niagara Mohawk Power. Perlo claimed

that the Mellon Bank held some 200,000 shares of N.M.P. stock. Clearly, Beverley Matthews represents the interests of the Mellon group in Canada, and is a major connection between the Toronto Dominion Bank - Canada Permanent Trust circle and the Mellon group.

Gulf Oil Canada also has interlocks with the Canadian subsidiary of Mellon-dominated Carborendum Corporation.

Westinghouse - This corporation has interlocks with the Pittsburgh National Bank, Manufacturers Hanover, Citibank, Wells Fargo, and the Bank of America. The Mellon-dominated Pittsburgh Bank is its primary bank.

In Canada there are two regular interlocks and one "honourary" interlock (involving Beverley Matthews) with the Toronto Dominion Bank. There are two interlocks with the Canada Permanent Trust Company. The rest of Westinghouse Canada's directors are from the U.S. parent corporation.

Westinghouse Canada also has interlocks with Gulf Oil U.S. and Canada.

Carborendum - The only bank interlock of the Canadian subsidiary of this Mellon corporation is with the Toronto Dominion Bank.

Canadian Carborendum is also interlocked with Gulf Oil Canada.

Steeprock Iron Mines - Perlo linked this Canadian corporation with Mellon interests in his study in the late fifties.

Its sole bank interlock is with the T.D. Bank.

Summary of the Mellon Group

Interest group theorists in the U.S. have made note of the fact that the regional interest groups have, in many cases, had to turn to New York for additional financing of their large corporations. In exchange for these lines of credit, these regional groups have had to sacrifice some of their control over their corporations.¹ The corporations linked with the Mellon group appear to have strong ties with the New York banks as well as the Mellon banks.

Westinghouse has on its board the chairman of Manufacturers Hanover, John McGillicuddy. This man is also a director of the M.H.-dominated Continental Corporation. In Canada this tie still appears to persist. Another Continental Corporation director is the Toronto Dominion chairman, Allen Lambert. Lambert is also a director of Westinghouse Canada.

The two largest Mellon industries, Gulf and Westinghouse, are interlocked with the same group of banks and industries in both the U.S. and Canada. The Toronto Dominion Bank appears to be the chief Canadian representative of Mellon interests.

Bank of America Group

Not much consistency exists in the Canadian affairs of the Bank of America's group of corporations. It is known however that the Kaiser companies are all heavily financed by and associated with the Bank of America. They are interlocked with the Bank of America and with another Bank of America group bank, the Union Bank.²

Kaiser Resources is the Canadian subsidiary. Chairman of all the Kaiser companies, including subsidiaries in Canada, is E.F. Kaiser Sr. This man is also a director of the Bank of America. His son, E.F. Kaiser Jr., sits on the board of the T.D. Bank.

World Banking Corporation, is jointly owned by the Bank of America and the Toronto Dominion. It seems logical, therefore, that a Bank of America-influenced corporation such as Kaiser would have interlockings with the T.D. Bank. Kaiser Jr. also holds senior executive and managerial positions in all the Kaiser companies.

The Bank of Montreal has one interlock with Kaiser Resources of Canada, and is listed as the primary Canadian bank. However, the T.D. Bank's ties with the Kaiser companies do support the conjecture that the latter bank and the Bank of America are involved in overlapping affairs.

Dillingham - This company is listed by Pelton as a Bank of America-dominated corporation. Its main office is in

Hawaii and the only Canadian bank interlocking with its Canadian subsidiary is the Bank of Nova Scotia.

San Francisco Group

Caterpillar, Crown Zellerbach and Delmonte are three U.S. multinationals associated with Canadian banks and with the San Francisco group.

The first two are interlocked in Canada with the Commerce Bank. Crown Zellerbach also interlocks with the Bank of Nova Scotia.

Delmonte's Canadian subsidiary, Canadian Cannery, interlocks with the Bank of Montreal.

Summary

There appears to be little consistency in the Canadian bank connections with the Bank of America group and the San Francisco group. There are two important links between the Bank of America and the Toronto Dominion Bank, one in the form of joint ownership of the World Banking Corporation, and the other by the fact that both banks figure prominently on the boards of all the major Kaiser companies in Canada and the U.S.

In the case of the Mellon group, there do appear to be identifiable links between the corporations under the influence of this group, and the Toronto Dominion Bank. In addition, the tie between the Mellon group and Manufacturers Hanover in the U.S., appears to persist across

the border into Canada in the form of ties between Westinghouse, Manufacturers Hanover, Continental Corporation, and the Toronto Dominion Bank. All of the instances discussed in this chapter are overshadowed by the strong ties that persist between most of the corporations in this study, and the three New York financial groups: Rockefeller, Morgan and Manufacturers Hanover groups.

Footnotes

1. James Knowles, The Rockefeller Financial Group, Warner Modular Publications, Module 343, p. 4n.
2. The two banks were grouped together in Richard Pelton's study, "Who Really Rules America?", Progressive Labor, Vol. 7, July, 1970.

Chapter Six

Wallace Clement has argued that capitalists in the financial sector have been able to protect themselves from direct U.S. domination. The term, "direct U.S. domination," opens up the question of whether there may be other types of domination other than direct domination. The near absence of U.S. financial institutions in Canada should not lead us to assume that the powerful financial circles in the U.S. do not have any influence whatsoever in Canada.

Before one can even raise questions about influence and/or indirect domination, the channels of communication by which such influence or domination may be exercised must be present. This thesis has shown that these channels of communication are, indeed, present, in the form of numerous interlocks between Canadian banks and U.S. multinational corporations. Also present are channels of communication linking these U.S. multinationals with the largest banks in the U.S., in particular, the six largest New York banks. The patterns of interlocking among U.S. financial and industrial corporations tends to support the view held by Victor Perlo, Richard Pelton, and James Knowles, that many of the largest U.S. corporations are members of even larger communities of interest.

When these patterns of interlocking are extended into Canada, it appears that each of the three major New York interest groups has concentrated the bulk of its Canadian operations on a particular Canadian bank. It was shown in Chapter Four that there are important connections between

the Rockefeller group and the Royal Bank of Canada; between the Morgan group and the Canadian Imperial Bank of Commerce; and between the Manufacturers Hanover (Prudential) group and the Toronto Dominion Bank.

While it is difficult to determine if in fact U.S. interest groups do influence or indirectly dominate the affairs of particular Canadian banks, the fact that these patterns do exist means that the potential for this influence is present, and the question of whether it occurs must at the very least be considered.

Margaret Jensen, in her thesis Economic Interest Groups in Canada,¹ supports the bank-centered interest group model developed two decades ago by Libbie and Frank Park². However, she does note inconsistencies which weaken the interest group concept when it is used in a purely Canadian context. Jensen finds that interest grouping on the basis of stock ownership "is not entirely consistent with interest grouping based on interlocking directorates."³ For example, Power Corporation is linked through interlocks with the Royal Bank of Canada, but owns Investors Group, which is linked through interlocks with the Bank of Nova Scotia.⁴

This line of reasoning has been taken up by the banks themselves as evidence to the Royal Commission on Corporate Concentration. This is illustrated by a statement from the Toronto Dominion Bank:

To begin with there are no blocks of shares in the hands of such persons so large as to influence the composition of the board, the appointment of

executives, or the policies of the Bank. The ownership of the Bank is widely dispersed. There are some 18,000 shareholders of the Bank. So far as we can determine, no single individual or family grouping owns more than one-half of one per cent of the shares of the Bank. The largest agglomeration of shares held by a corporate group, including trust companies etc., is about 1,600,000 shares, which represents approximately 8.5% of the shares of the Bank, and is held beneficially and for clients by a group with which we have only tenuous corporate relationships. There are fewer than twenty group accounts of this nature which hold more than 1% each of the shares of the Bank. They neither seek to exercise nor have any influence on the Bank's lending policies. In our minds they represent holdings on behalf of a vast number of Canadians through insurance policies, pension funds, trust company accounts, etc. The total number of Canadians having an equity stake in the Toronto Dominion Bank through institutional holdings and directly is almost certainly in excess of 1 million. 5

This sounds like a perfect version of "The People's Capitalism" unless we consider a few other facts. First, the Patman Committee used a figure of 5% ownership of stock as the minimum necessary for control. Thus the one unnamed group holding 8.5% of the T.D. Bank's shares is probably in a position to influence the decision-making process more than the bank may be willing to admit. Secondly, as was pointed out in a previous chapter, the more dispersed are the shares of a corporation, the less shares are necessary for influencing the affairs of the corporation. There are as few as twenty groups each holding between 188,160 and 1,600,000 of the bank's 18,800,000 shares. Only a few of these groups need to collaborate to have a strong influence over the affairs of the bank. While this is not proof that

the affairs of the banks are controlled externally, by the bank's own admission, the possibility for external control does exist.

We cannot assume that the apparent lack of bank-centered interest grouping in Canada applies to the U.S. multinationals operating in Canada. As the thesis shows, three of Canada's largest banks have extensive ties to the New York based interest groups.

The Canadian bankers claim that they do not use interlocks "to extend the power of certain groups or individuals over the decision-making process". Yet, the evidence in this thesis suggests that at least three of Canada's top five banks are party to and agents of those financial groups in the U.S. which, judging by their records, do seek to extend their power over the decision making process.

The thesis has also shown that the banks' claim that they select their directors on the basis of "superiority of intellect and experience", does not withstand the test of empirical analysis. Were they correct in this claim, one would be apt to find interlocking directorates to be much more randomly distributed than is actually the case.

In sum, the thesis has shown that U.S. interest groups tend to retain their shapes in their Canadian operations, and, three of the five largest banks in Canada have become either partners or agents of the U.S. financial groups. Furthermore, it appears that, with respect to the

U.S. multinationals, that the Canadian banks select their directors, or have their directors selected, from corporations which fall within the U.S. financial interest group with which they are most closely associated.

Footnotes

1. Margaret Jensen, Economic Interest Groups in Canada, Unpublished M.A. Thesis, Hamilton, McMaster University, 1974.
2. Libbie and Frank Park, Anatomy of Big Business, Toronto, James Lewis and Samuel, 1973.
3. Jensen, Op. cit., p. 63.
4. Ibid.
5. Toronto Dominion Bank, Brief Presented by the Toronto Dominion Bank to the Royal Commission on Corporate Concentration, pp. 19-20.

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