CHAPTER 13
GROWTH AT ALL COSTS: THE ECONOMY, 1945–1975

TIMELINE

- **1945** Federal White Paper on Postwar Reconstruction
- **1947** General Agreement on Tariffs and Trade
- **1949** Asbestos strike
- **1952** Atomic Energy of Canada created
- **1957** Recession sets in; Royal Commission on Canada's Economic Prospects report
- **1958** CBC network completed
- **1959** Newfoundland loggers' strike; opening of St Lawrence Seaway
- **1962** Canada launches *Alouette 1*
- **1965** Auto Pact
- **1971** Canada Development Corporation established
- **1966** Royal Commission on Taxation
- **1968** Watkins Report on Foreign Ownership and the Structure of Canadian Industry
- **1972** United Nations Conference on the Human Environment
- **1973** OPEC oil embargo sparks an "energy crisis"
- **1974** Foreign Investment Review Agency established
- **1975** Creation of Petro-Canada; Trudeau government imposes wage and price controls

In 1964, Cominco began operating a lead-zinc mine in the Northwest Territories, creating the instant community of Pine Point. About $100 million of federal money was invested in the project, which included developing the town site and building highways, hydroelectric plants, and a railway to haul minerals to markets. By 1975, about 1800 people, mainly from southern Canada, lived at Pine Point. Their high wages and modern homes were evidence of the good lives that many Canadians attained in the postwar period.

Sixty-five kilometres west of this new town created by business and government was the long-established Native community of Fort Resolution. Speaking to a federal inquiry established in 1974 to determine whether energy pipelines should be built across the Mackenzie Valley, Mike Beaulieu of Fort Resolution provided a view of the mine's economic benefits that differed from Cominco's.

> We, the Dene people, do a lot of hunting and trapping and fishing. Our hunting has decreased a lot due to the construction of the highway, the building of the mine, and the increase of the people from the South. . . . Our traditional grounds are slowly being overtaken by these [mine] employees. There is virtually no benefit to be spoken of from the mine.[1]

The impact of the Pine Point mine on the environment and on Native peoples provides an example of the other side of the equation of the unprecedented economic growth that characterized the period from 1945 to 1975. Dramatic improvements in overall living standards were accompanied by environmental degradation, uneven distribution of the new wealth, and destruction of many communities. This chapter traces the economic history of the period when the American dream of unlimited prosperity became a realistic goal for many Canadians, but an unattainable— even undesirable— illusion for others.

THE WELFARE STATE AND WARFARE ECONOMY

Canada's longest relatively uninterrupted boom owed a great deal to widespread acceptance after the Great Depression and the Second World War that government involvement in the economy was necessary to smooth out the business cycle and maintain investor confidence. Following the advice of the influential British economist John Maynard Keynes, governments developed monetary and fiscal policies to ensure that any decline in private investment was balanced by more public investment. Governments would not run businesses, but they would expand the money supply and their own expenditures when the private sector was contracting, easing up on both when private investment recovered. Big business, while not always enthusiastic about this philosophy, mounted little opposition to state intervention as long as it promoted only economic growth and not a major redistribution of wealth. The government–business agreement of the postwar years is often referred to as the "postwar compromise."

When the war ended, the federal government drew on this new economic thinking about the role of the state in the economy to ensure that peacetime was also a prosperous time. Canada's national debt was 1.25 times the annual gross national product in 1945, but Minister for Reconstruction C.D. Howe produced a White Paper on postwar reconstruction that proposed a delay in repaying debts until the economy was on an even keel. Moving quickly to jettison wartime price controls and to privatize Crown corporations, the federal government expanded the money supply to finance the debt and increased spending on social programs. Factories were quickly converted from war production to making cars, clothes, appliances, and housing materials. When production slowed, exports contracted, and inflation soared, Ottawa stoked the economy with tax incentives to industry and programs targeted at veterans, the private housing market, and municipalities. As was predicted, consumer demand soon became the driving engine of the economy. If growth in output and productivity are the measures of success, the government's strategy worked well.

Since Canada's economic prosperity depended on exports, trade liberalization became a cornerstone of Canadian postwar foreign policy. In November 1947, Canada signed the General Agreement on Tariffs and Trade (GATT), aimed at reducing trade barriers. Canada also benefited from the Marshall Plan, a program introduced by the United States in 1947 to help European countries recover from the devastation of the war. With Marshall Plan dollars available for European purchases from Canada as well as the United States, export markets slowly began to improve. The cyclical upswing was reinforced by massive military spending, sparked by the escalating Cold War. Between 1949 and 1953, defence expenditures rose from 16 to 45 percent of the federal budget, and a new ministry was created to orchestrate the business of war. C.D. Howe became the minister of defence production, and in this guise he continued to play godfather to the business community.

With more than $1 billion spent annually on defence in the 1950s, many aspects of the Canadian economy were shaped by military considerations. As late as 1960, when defence had slipped back to a quarter of federal budgetary expenditures, military purchases accounted for 89 percent of the shipments in the aircraft industry, 41 percent in electronics, and 21 percent in shipbuilding. Research and development in both Canada and the United States was increasingly related to defence priorities. In the United States, the term "military-industrial complex" was coined to describe this new era of defence-induced growth.

American military concerns fuelled continental economic integration. As the Americans became concerned that they were running out of the raw materials required to fuel their military and civilian economy, they invested heavily in Canadian minerals, oil, and lumber. The need for uranium for atomic bombs and nuclear reactors allowed Canadian uranium companies to sell their product at fabulous prices to the United States Atomic Energy Commission. With Canada supplying a third of the world's military and civilian requirements for uranium in the 1950s, Uranium City, Saskatchewan, and Elliot Lake, Ontario, were added to the pantheon of boom towns on Canada's resource frontier.

In 1952, Atomic Energy of Canada Limited (AECL) was created as a Crown corporation to develop peaceful uses of atomic energy. It sold CANDU (CANada Deuterium Uranium) reactors at home and internationally. Ontario was the first province to enter into an agreement with AECL to build nuclear power stations, and the first demonstration plant at Rolphton came into operation in 1962. Of the 29 commercial reactors built, 22 were located in Ontario.

Defence production, particularly after Canada and the United States signed a Defense Production Sharing Agreement in 1958, further encouraged continental economic integration. Stimulated by the Vietnam War, armaments production accounted for an estimated 125 000 Canadian jobs by the late 1960s. Shells, military aircraft, and radio relay sets poured out of Canadian factories while metal mining companies received record orders for minerals required in military industries.

In cooperation with provinces and private corporations, the federal government supported several megaprojects, including the Trans-Canada Highway and the TransCanada Pipeline. Impressive as an engineering and construction project, the St Lawrence Seaway, built between 1954 and 1959, was co-funded with the Americans. Its purpose was to enlarge the canals and develop the power potential along the inland waterway. Allowing vessels to travel from Anticosti Island to Lake Superior, the seaway cost the Canadian government more than $1 billion. Canadian communities along the St Lawrence were flooded to build the seaway, and it also had a significantly negative impact on Montreal's role as

MORE TO THE STORY

A Modest Prosperity

For most working people, the postwar economic boom brought tangible changes but not wealth. Historian Craig Heron describes his parents' lives during this period.

> In May 1945, a young Canadian couple exchanged wedding vows and began a half-century of life together. Harold, age 23, was still in his Royal Canadian Air Force uniform, but would soon be donning the work clothes of a manual worker in a series of relatively low-skill jobs. Marg, age 21, gave up her position as a telephone operator and started to set up the family household before Harold was finally released from the Air Force. Over the next few years they helped launch the Baby Boom by having two sons, whom they raised in a small house perched on the outer edge of suburban Toronto. Once the boys were both in school in the late 1950s, Marg returned to the paid workforce and spent some 20 years as a secretary. Like a declining majority of Canadians in the postwar period, Harold, Marg, and the boys were anglo-Canadian, English-speaking, Canadian-born, and white. They were also working class. . . .
>
> Leaving the family farm with only a Grade Nine education and no marketable skills, Harold's job prospects and earning ability were restricted. Marg's background in a shopkeeping family and a Grade Eleven education constrained her employment opportunities to lower-end clerical work at best. These were limited jobs, not expanding careers. What they earned restricted the family's living standards. They lived most of their married lives in a small, five-room frame house, rarely bought new furniture, ate simple meals, rarely went out to restaurants or movies, relied on older, used cars, had no money for expensive dental work, limited their summer vacations to a visit to Marg's mother's cottage and later to short, inexpensive family camping expeditions, and worried constantly about debt. By the end of the 1950s, in fact, they found they could not survive on Harold's wages alone, and, like thousands of other Canadian working-class housewives at that point, Marg went out to work full time (as employers finally rejected the longstanding taboo on hiring married women). Even with two pay cheques coming in penny-pinching was a way of life. Only in the 1970s, when both boys had moved out and established independent households, did Harold and Marg's living standards begin to improve to any great extent.
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> Indeed, Marg could also have explained how, in the face of ever-present economic vulnerability, she managed the family household as effectively as possible to sustain what historians have come to call a family economy. Economical shopping to stretch wages, along with family labour to avoid cash outlays, were still crucial in the 1950s and 1960s. As a small investment strategy, Harold and Marg also bought two acres of land with no water or sewer connections and a half-finished house, which they spent many years fixing up (in a suburban neighbourhood where such owner-built houses were numerous). Eventually, they made small sums by selling

off four lots for new housing, and, many years later, in the late 1980s, sold the remaining land for a substantial sum. Many working-class families had similar survival strategies in this period, much as they had done for generations in Canada in response to the economic uncertainty of their material situation.[2]

central Canada's maritime hub. But the search for national military and economic security overrode these more local concerns.

Owing to the booming economy, the unemployment rate for 1956 was only 3.2 percent, the lowest rate for the rest of the century. Wages increased faster than prices throughout the postwar decade, while consumption increased on average by 5.1 percent each year. The government's debt as a proportion of gross national product halved from 1946 to 1956 because a wealthier population was paying enough taxes to cover both increased spending and debt reduction.

Technological innovation also stimulated postwar productivity. New products such as synthetic fibres, plastics, and pesticides had been stimulated by wartime demand, while television, the self-propelled combine harvester, and the snowmobile, developed before the war, became commercially viable only in the improved postwar economic climate. The pharmaceutical industry could hardly keep up with the demand for new products, including such miracle drugs as penicillin, polio vaccines, anti-depressants, and the birth-control pill.

Stimulated by government spending and strong export markets, multinational economic empires bloomed in Canada, including the Macmillan-Bloedel forestry complex headquartered in British Columbia, Ontario's investment giant, Argus Corporation, and K.C. Irving's New Brunswick–based conglomerate. Times had never seemed so good, but in 1957, the American economy went into recession, and the Canadian economy, so closely integrated with its southern counterpart, followed suit.

TABLE 13.1
Canada's Economic Growth, 1945–1976

YEAR	GNP*	GNP IN 1971 DOLLARS*	GNP PER CAPITA IN 1971 DOLLARS
1945	11 863	29 071	2 401
1951	21 640	35 450	2 531
1956	32 058	47 599	2 960
1961	39 646	54 741	3 001
1966	61 828	74 844	3 739
1971	94 450	94 450	4 379
1976	191 031	119 249	5 195

* Millions of dollars

Source: Adapted from F.H. Leacy, ed., *Historical Statistics of Canada*, 2nd ed. (Ottawa: Statistics Canada, 1983), Catalogue 11-516, tables A1, F 13, and F 15

PRIMARY INDUSTRIES

In the postwar period, farming, once viewed as a way of life, became a business. Marketing boards revolutionized agriculture by establishing quotas, setting prices, and defining market boundaries, and a larger percentage of farm products was destined for canning and, increasingly, freezing. While Canadian and multinational companies prospered, many farmers were squeezed in the corporate goal of increasing profits. Producers were obliged to increase their operations or get out of farming altogether.

The trends in agriculture were similar across the country. In Saskatchewan, average farm size increased from 432 acres to 845 acres between 1941 and 1971, while the farm population fell from 514 677 to 233 792. Prince Edward Island farms also doubled in size, and the farm population tumbled from 144 000 to 27 000. Mechanization, herbicides, and pesticides increased farm outputs, but they added to the costs. In western Canada, operating expenses increased fivefold from 1956 to 1976, while farm net income only tripled. In Quebec, Premier Maurice Duplessis expanded government farm credit, opened up new areas for farmers, and provided electricity to 90 percent of farms by 1955; but the number of farmers dropped from one in five Quebecers to one in 20 between 1951 and 1971.

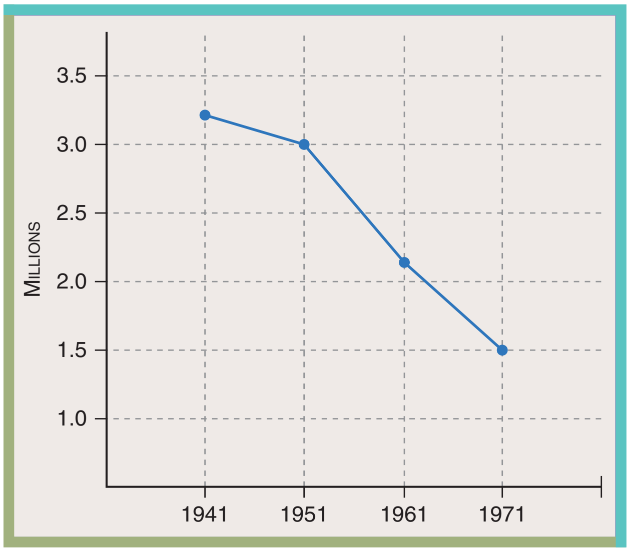


FIGURE 13.1

Farm Populations in Canada, 1941–1971

Source: Adapted from F.H. Leacy, ed., *Historical Statistics of Canada*, 2nd ed. (Ottawa: Statistics Canada, 1983), Catalogue 11-516, Series M1–M11

processing and marketing structures as the fishery on both coasts became part of the continental corporate universe.

Impressive growth also occurred in mining and hydroelectric power generation, benefiting from the booming North American domestic and military economies. Companies developed copper deposits at Murdochville on the Gaspé Peninsula, lead-zinc-copper ores in the Dalhousie-Bathurst region of New Brunswick, and potash in Saskatchewan. In 1949, the Iron Ore Company was formed to bring the vast deposits on the Ungava–Labrador border into production. Uranium from the Northwest Territories, Ontario, and Saskatchewan was brought into production.

Canada's energy resources seemed endless. On 3 February 1947, Imperial Oil's Leduc No. 1 well struck oil, and energy discoveries in Alberta soon became regular fare. From 1945 to 1960, Alberta's annual production of crude petroleum increased sixteenfold while natural gas production increased tenfold. Saskatchewan also made promising finds of energy resources. By 1952, pipelines in

With families abandoning their farms throughout Canada, the small towns that had provided schools, clinics, and recreational facilities for farm communities struggled to survive, and their inhabitants soon joined the farmers in the exodus to cities.

The transformation of the east coast fishing industry in the postwar decade paralleled that of agriculture. As European markets for saltfish disappeared, sales of fresh and frozen fish were increasingly geared to an oversupplied North American market. At the same time, technology revolutionized productivity in the fisheries. By the 1960s, 1400 trawlers were engaged in the Grand Banks fishery, netting an unprecedented 2.6 million metric tonnes of fish. The trawlers sealed the fate of inshore fishers. By the 1950s, the real choice for most fishers was between becoming a labourer on a corporate trawler or changing occupations. Cooperative fishing organizations founded before the war lost control of

Oil well at Leduc, Alberta, 1947. SOURCE: IMPERIAL OIL ARCHIVES which Imperial Oil was a major shareholder funnelled oil from Alberta either to Vancouver or through Wisconsin to Sarnia, Ontario.

In 1956, the Canadian government entered an agreement with an American company, TransCanada Pipelines, to build a gas pipeline from Alberta to Montreal. In addition to providing a generous loan to the company, Ottawa agreed to create a Crown corporation to build the uneconomical section of the pipeline through northern Ontario. The United States absorbed about half of the Canadian output of oil and gas, but cheap imports of crude oil from the Middle East and Venezuela kept the industry lean until the early 1970s.

Other provinces struggled to keep pace with the burgeoning economies of Ontario and Alberta. In Newfoundland, Premier Joseph Smallwood convinced overseas capitalists to develop the mighty Churchill Falls in Labrador, while New Brunswick premier Hugh John Flemming wrung $30 million out of the federal government to help complete the Beechwood Power complex on the St John River. Nova Scotia developed coal-generated thermal power plants. In the early 1950s, Alcan built a huge generating station at Kemano, British Columbia, to supply its $450 million aluminum smelter at Kitimat. Saskatchewan's premier, Tommy Douglas, with generous subsidies from Ottawa, planned an ambitious power-generating project on the South Saskatchewan River.

THE POSTINDUSTRIAL ECONOMY

The increasing importance of communications in determining the pace of economic change in the second half of the twentieth century led analysts to coin the term *Information Age* to describe the new phenomenon. While industrial and service industries remained significant players in the economy, communications technologies, represented by computers and satellites, contributed to quantum leaps in productivity. Satellite communications developed in the late 1950s and 1960s allowed radio and television signals to be transmitted around the world in a split second. Computers were linked to telecommunications systems in the early 1970s, permitting vast quantities of information to be sent over telecommunications networks.

Canada was among the first nations to experiment with the communication technologies that defined the Information Age. In 1958, Canada's television network was the longest in the world. Canada also established cable-television systems ahead of most countries. When the *Alouette 1* satellite was launched on 29 September 1962, Canada became the third nation in space after the Soviet Union and the United States. With its *Anik* (the Inuit word for "brother") series launched in the 1970s, Canada led the world in the use of satellites for commercial communications.

Virtually every human activity has been altered in some way by computer technology. It helped to send people to the moon, revolutionized the office, and automated manufacturing processes. Once the commercial potential of the computer was realized, IBM and other big multinational corporations soon dominated the field. A Canadian-based corporation, Northern Electric (later renamed Northern Telecom and then Nortel), eventually carved a niche for itself by producing telephone equipment and switching devices for a global telecommunications market. Nevertheless, Canada's trade deficit in electronic goods reached $850 million in 1973 and rose quickly in the years that followed.

In the postwar period, seven of 10 employed Canadians provided services rather than producing goods. A striking feature of Canada's service economy was its link to the growth of the state. Public sector spending increased from five percent of GNP in 1867 to 30 percent by 1960 and 48.2 percent in 1985. Nearly half of government expenditure was on goods and services; the rest involved transfer payments, which moved private income from one group of citizens to another. The federal share of GNP rose only marginally after 1960, but the provinces' shares doubled as their responsibilities grew rapidly. Many people found employment in the burgeoning bureaucracies of municipal, provincial, and federal governments.

The service economy helped to fuel the long-standing trend to urbanization. By 1971, three out of four Canadians were urban dwellers. Most Canadians moved voluntarily and sometimes happily from their rural communities to urban locations where they had better access to jobs and services, but there were exceptions. In Newfoundland, the government offered financial assistance to lure families from their outport communities to anticipated "growth centres." Beginning in 1953, Inuit were coerced by Ottawa to relocate from their traditional communities to Grise Fiord and Resolute Bay in the high Arctic—essentially "northern suburbs"[3]—where their presence would establish Canada's sovereignty. In both cases, the move failed to live up to its promise. Outport Newfoundlanders found few jobs in their new locations, and the Inuit lived in appalling conditions in their new state-sponsored northern communities.

The transformation from a subsistence to a consumer society was evident in every corner of the nation. In the North, the Inuit were integrated into the North American economy through social welfare programs and the sale of their exquisite paintings and sculptures, which had become popular in the art market in southern climes. With factories turning out textiles and clothing at unprecedented rates, women no longer engaged in domestic production. A vacationing antique dealer in the late 1950s bought 1200 spinning wheels in rural areas of Cape Breton. In fashionable middle-class homes, such items now became collectors' items, a happy reminder of the past when almost everyone had to work hard for a living.

Among those who still did back-breaking work, economic growth sometimes meant improved working conditions, but not always. Ontario's lumber industry replaced logging camps—once notorious for their crowded, poorly maintained bunkhouses—with suburban-like accommodations in an effort to retain their workforce. In other industries, employers reckoned that highly paid workers would put up with unsafe or unhealthy conditions. Innovations such as scooptrams used in nickel mining meant whole-body vibrations that caused back and neck injuries and circulatory problems for the workers.

Nuclear plants were among the workplaces where high wages went hand in hand with constant danger. The world's first major peacetime nuclear disaster occurred in 1952 at the experimental nuclear research plant at Chalk River, Ontario, which had another accident that released radioactivity in 1958. In 1974, uranium miners in Elliot Lake, Ontario, went on strike to demand better health and safety provisions as statistics confirmed what the miners had long known: they faced an unusually high incidence of lung cancer and silicosis. Their protests led to Ontario introducing a comprehensive worker occupational health and safety regime, which other provinces also introduced in varying degrees.

Machines that improved productivity not only posed problems for worker safety, but also for maintaining jobs. By the 1970s, the net impact of technology on employment prospects appeared to be negative. Microprocessors, first introduced in 1971, displaced blue-collar workers by controlling systems that automatically cut boards, stitched seams, and assembled parts. "Pink-collar" jobs dominated by women, such as file clerk and records manager, began to fade away as machines took over the recording and reporting of information. At CP Rail headquarters in Montreal, for example, there were 130 fewer clerical positions in Information Systems in 1980 than in 1972, while professional and managerial positions in the area doubled. Only two people moved

Workers in a fluorspar mine at St Lawrence, Newfoundland, in 1962. In his 1975 book *Dying Hard,* anthropologist Elliott Leyton chronicled the slow and painful early deaths from cancer and silicosis afflicting the fluorspar miners in the Burin Peninsula from 1933 onward. The mine finally closed in 1978. SOURCE: LIBRARY AND ARCHIVES CANADA PA-130784 from a clerical position into the professional-managerial ranks. Many workers who lost their jobs proved ill-equipped to take up other available jobs, thus becoming victims of "structural unemployment."

Many projects proceeded without any concern for the environment or local communities. In the English–Wabigoon River system near Kenora, effluent from the Reed paper mill made it unsafe for Natives to fish. Not only was their major food supply affected, but the tourism that had brought a modest level of prosperity to the reserves outside Kenora (and that depended on good local fishing) also dried up. Moreover, mill operators rarely hired Native labour, adding chronic unemployment to environmental degradation. Every northern hydroelectric and mining project told a similar story.

Even when companies did hire Native workers, benefits were generally short-lived. In the 1950s, Noranda Mines opened a plant on the reserve property of the Anishanabek of the Serpent River First Nation to process sulphuric acid created in the mining of uranium. They delivered on a promise to hire First Nations workers, but closed the plant in 1963 after less than a decade of operation, leaving wastes in nearby soil and water. The plant was not properly decommissioned until Native pressures forced the province to act in 1969. Meanwhile, the quantity and quality of the fish on Aird Bay in Lake Huron and on the Serpent River declined because of the pollution from the uranium mines and the sulphuric acid plant.

Native fisheries were threatened elsewhere as well. When Pacific salmon stocks declined in the postwar period, the federal government responded with restrictive regulations that favoured industrial fishing interests over smaller-scale fishers, including Native fishers. The government acted similarly in the Maritimes in response to depleted salmon habitat. On the St John River, the culprits were hydroelectric development and a barrage of pesticides, herbicides, and fertilizers used to maximize productivity of the forest and soils. Although the Native peoples were largely innocent in this assault on salmon habitat, they were victimized by a five-year ban on commercial netting in New Brunswick rivers beginning in 1970, a ban that exempted the sport fishery.

Native peoples were not alone in feeling that economic growth occurred at their expense. Growing cities with shiny skyscrapers and rural ghost towns were reverse images created by an inexorable drive toward economic growth and a consumer society. In Cape Breton, the Sydney Tar Ponds—a toxic brew of chemicals produced as waste by the coke ovens and furnaces in the city's steel-making industry—created health hazards for those living in the surrounding area. Meanwhile, pollution levels from the many chemical industries in the Sarnia area were beginning to raise concerns. State policies that supported growth at all costs ignored human health and the health of the biosphere, the latter only dimly coming into view for most Canadians by the early 1970s.

MORE TO THE STORY

Cars, Economic Growth, and the Environment

Cars were the emblem of the postwar good life for Canadian families. Between 1952 and 1959, imports of foreign-built cars increased from 38 000 to 165 000, contributing to an escalating trade deficit. John Diefenbaker's Progressive Conservative government tried to bridge the gap by offering the Big Three automakers tariff rebates on imported transmissions in return for a commitment from the companies to export more of other parts from Canada. The subsequent Liberal government extended the rebates to all imported car parts in return for guarantees of increased exports of parts.

Opposition from the United States government to unilateral Canadian government deals with American automakers led to the negotiations that produced the Canada–U.S. Automotive Products Trade Agreement of 1965. Under the Auto Pact, duties on cross-border trade on cars and car parts were eliminated, as insisted upon by the American government, but the Canadian government managed to secure the content requirements and production goals that would ensure the long-term viability of the industry in Canada.

Chrysler plant in Windsor, Ontario, 1954 (above), and a White Rose gas station on Highway 2 between Edmonton and Lacombe in 1951 or 1952 (below). The automobile industry seemed omnipresent in the postwar Canadian economy. SOURCE: LIBRARY AND ARCHIVES CANADA (ABOVE) PROVINCIAL ARCHIVES OF ALBERTA (BELOW)

Due in large measure to the Auto Pact, the percentage of Canadian-assembled cars sold in the United States soared from 7.24 in 1964 to 16.08 in 1975. Parts production employed 51 600 Canadians in 1974 compared to 31 800 in 1964. The concentration of the automobile industry in southern Ontario contributed to that province's relative wealth. Elsewhere in the country, the Auto Pact seemed to confirm Ottawa's favouritism toward Ontario. Since jobs in automotive assembly plants were usually unionized, well-paid, and offered job security and good retirement pensions, they attracted workers from across Canada.

There were downsides to the North American automotive industry even in its heyday. In the 1950s, more than 27 000 Canadians died in automobile accidents. American consumer activist Ralph Nader provided compelling proof in his book *Unsafe at Any Speed*, published in 1965, that faulty design rather than personal error accounted for a significant number of automobile deaths. These revelations forced the Canadian government to regulate car safety in the 1970s, largely by imposing rules adopted earlier in the United States. Canada also followed the United States in imposing emissions standards and giving in to industry lobbyists for longer periods to introduce pollution controls. Hydrocarbon, carbon monoxide, and nitrogen oxide emissions were all higher in Canada than in the United States in 1975, and for more than a decade afterwards. In both countries, reluctance to impose fuel-emission standards on vehicle manufacturers eased considerably after OPEC price increases in 1973 raised the strong likelihood of oil shortages for the future.[4]

ECONOMIC DISPARITY

Age, class, ethnicity, gender, and geography remained important factors in determining how one fared in the quest for economic well-being in postwar Canada. In 1965, John Porter published *The Vertical Mosaic*, an impressive analysis of stratification in Canadian society. Porter showed that an economic elite of fewer than 1000 men—mostly of British and Protestant background, and graduates of private schools—dominated the Canadian economy.

In Quebec, where more than 80 percent of the population was French-speaking, francophone employers controlled only 47 percent of the province's jobs in 1961, mainly in the service and agricultural sectors. Francophones were particularly absent from ownership in the manufacturing sector, where the companies they owned produced only 15 percent of the province's manufacturing output. Quebec's largest private companies were under anglophone control. While it is inaccurate to assert, as Quebec nationalists increasingly did, that francophones in the province were workers while anglophones were bosses, wage disparities were striking. The average annual wage of francophone Quebecers in 1961 was only two-thirds that of their anglophone compatriots.

Women figured prominently in the ranks of Canada's economically disadvantaged. As services moved from the domestic economy into the market economy, women often moved with them, but their wages failed to match those of men. Paid domestic work declined under the impact of household appliances, but teaching, nursing, secretarial, clerical, and cleaning jobs expanded and remained dominated by women. Overall, women's labour force participation in Canada increased from 23.4 percent in 1953 to 48.9 percent in 1979, while the male participation rate fell from 82.9 percent to 78.4 percent. Pay scales were blatantly sexist. In 1971, women with full-time jobs made on average less than 60 percent of what men with full-time jobs earned. Women were also far more likely to be employed in part-time work.

Visible minorities, especially First Nations, Métis, Inuit, and African Canadians, remained at the bottom of the economic scale throughout the nation. Immigrants, many of them living illegally in the country, also suffered exploitation by factory owners and farmers. In Montreal, immigrants from the Caribbean, Latin America, India, Pakistan, Greece, Portugal, and Italy worked 12-hour days for subsistence wages. According to one journalist writing in 1974, they "man the clanging textile and clothing factories which line St. Lawrence and Park . . . clean toilets in glittering high-rises, wash dishes in grimy restaurant kitchens, pull switches and operate machinery in fuming plastics and chemical factories, abattoirs, machine shops."[5] At the time, about 100 000 illegal immigrants worked in Canada, generally in sweatshops in Montreal and Toronto. Intimidated by the threat of discovery and deportation, they often had to accept work at less than the legislated minimum wage.

Far from industrial sites, farm workers also often laboured under substandard conditions and wages.

Native dwellings contrast sharply with houses in Fort George (Chisasibi), Quebec, 1973. SOURCE: LIBRARY AND ARCHIVES CANADA PA-130854

Excluded from minimum-wage protection, immigrant orchard workers in British Columbia and Ontario and Native sugar-beet pickers in Manitoba worked long hours for negligible pay and slept in miserable accommodations provided by the employers. Many farm workers were illegal immigrants; still others were contract workers for the growing season, hired under the Seasonal Agricultural Workers' Program that began in 1966 and required to return home to Latin America or the Caribbean once the growing season ended. Canada wanted their labour power, but did not want them as citizens.

Despite economic growth and the advent of the welfare state, the overall distribution of wealth in Canada remained remarkably static. The Economic Council of Canada, an advisory group to the government on economic planning, calculated in 1961 that 27 percent of Canadians received incomes low enough to qualify them as poor. Both Status Indians and farmers, groups with high rates of poverty, were excluded from the calculation. Eight years later, the federal government, using the same measures, announced that poverty had been cut in half as a result of economic growth and the increase in the number of two-income families. The poverty rate would rise again in the slow-growth seventies.

Whether the national economy was booming or in recession, some areas lagged well behind the national average. Southern Ontario generally prospered far more than the rest of the country, while northern Ontario suffered high rates of unemployment and poverty, particularly in Native areas. Even within southern Ontario, there were large pockets of poverty in the southeast. Montreal had a vibrant mixed economy, but northern Quebec and the Gaspé experienced grinding poverty even during economic upswings. In wealthy Alberta and British Columbia, northern residents had little to show for the resource boom that created high average incomes in their provinces.

In the postwar period, the Atlantic region, Quebec, Saskatchewan, and Manitoba constituted the country's have-not provinces. Dependent on equalization grants after 1957 to provide reasonable levels of service to their citizens, they lacked sufficient economic diversification to create more jobs. Ontario strengthened its economic lead over Quebec because of a stronger resource base,

MORE TO THE STORY

The American Fast-Food Industry

The fast-food industry was one example of an American-dominated service industry that made its entry into Canada in the postwar period. Franchise operations, such as Colonel Sanders' Kentucky Fried Chicken, Burger King, and, after 1968, McDonald's, defined the eating-out experience for teenagers and two-income families seeking occasional relief from having to prepare a meal.

Sociologist Ester Reiter worked at a Toronto Burger King in the early 1980s and interviewed fellow employees as part of a thesis project. Each Burger King is operated by a franchisee, who pays Burger King's Miami headquarters a large fee for the right to operate a firm with the Burger King name. Every outlet is required by Miami to unswervingly follow the procedures laid out in the Manual of Operating Data. "Burger King University" in Miami trains managers to implement these procedures uniformly. Headquarters is linked by computer to each franchise and monitors performance daily. The result is that the "Burger King experience" is the same for workers and customers whether one is in New Orleans or Halifax. For employees, this means a rigid work schedule in which the time allowed to take an order, prepare a specific item, or deliver food to a customer is measured in seconds.

Reiter's fellow workers were teenagers, often working part-time, and immigrant women for whom better jobs were unavailable. Few liked the work, which paid minimum wage, and many felt like robots, waiting for their breaks in the "crew room" for a chance to listen to rock music and talk about plans for the weekend. On the job, "hamburgers are cooked as they pass through the broiler on a conveyor belt at a rate of 835 patties per hour. Furnished with a pair of tongs, the worker picks up the burgers as they drop off the conveyor belt, puts each on a toasted bun, and places the hamburgers and buns in a steamer. The jobs may be hot and boring, but they can be learned in a manner of minutes."[6]

proximity to the American industrial heartland, and a prewar advantage resulting from international capitalists preferring its better-educated, English-speaking work force. Having lagged behind Ontario and Quebec in attracting manufacturing in earlier periods, the Atlantic provinces, Saskatchewan, and Manitoba faced difficulties in convincing investors to establish plants in areas that had smaller populations and were a greater distance from the major population centres in North America.

TAXATION AND THE DISTRIBUTION OF WEALTH

An assessment of the taxation system helps to explain why there was little redistribution of the nation's wealth. Before the war, most working Canadians earned less than the minimum income required to be subject to income taxes. After the war, most workers became income taxpayers. Corporations and the wealthy also paid taxes, but taxes on corporate profits were ameliorated by generous capital cost (depreciation) allowances and by an ever-increasing variety of loopholes. By 1953, dividend holders received a 20 percent tax credit in recognition of dividends forgone because of corporate tax assessments.

Nevertheless, by today's standards, corporations contributed generously to federal and provincial treasuries. The effective tax on business profits, that is, the taxes that governments collected after all loopholes had been applied, averaged 38.2 percent of all profits earned from 1961 to 1987. The comparable figure for 2011 was 24 percent. The highest nominal federal corporate tax, that is the rate before exemptions were applied, was 41 percent in 1960, 40 percent in 1970, and 15 percent for 2014.

In 1962, the Diefenbaker government established a Royal Commission on Taxation, headed by Kenneth Carter, a leading chartered accountant. The commissioners concluded that "The present system does not afford fair treatment for all Canadians. People in essentially similar circumstances do not bear the same taxes. People in essentially different circumstances do not bear appropriately different tax burdens."[7] Commission studies revealed that the poorest Canadians paid proportionately more taxes than well-off citizens. Carter recommended that indirect taxation be substantially reduced and that the base for personal and corporate income tax be broadened by removing most loopholes. The poor would benefit most, and would also receive income support to ensure that all Canadians had a sufficient income to enjoy a decent standard of living.

The Carter Commission's report, which was submitted in 1966, had little impact in a country increasingly dominated by corporate elites. The Liberal government led by Lester Pearson delayed its response to the Carter recommendations, and Pearson's successor, Pierre Elliott Trudeau, largely ignored the report, taxing capital gains at only half the rate of other income, repealing the federal Estate Tax Act, and making only token efforts to provide income guarantees for all households.

THE TRADE UNION MOVEMENT

The trade union movement was the most vocal opponent of the liberal consensus in the postwar period. Although legislation recognized the right of workers to organize, the Industrial Relations Disputes Act of 1948, which applied to federal workers, and its provincial equivalents also attempted to co-opt union leaders into the planning mechanisms of corporations and governments. Under the new labour laws, workers found their rights to negotiate limited to wages and narrowly defined working conditions. Unions were expected to enforce contracts and to keep their members in line. Decisions to reduce the size of the workforce, to speed up production, or to use hazardous materials in the workplace were rarely covered by contracts. Even when management appeared to violate a contract, workers were not allowed to strike. Instead, drawn-out grievance procedures had to be followed to seek redress.

Despite such constraints, workers were not prepared to return to prewar conditions. Long-time United Electrical Workers staffer and Communist activist Bill Walsh recalled:

> We had just won the war, freed the world from fascism. . . . There was a whole new spirit in the world. Returning soldiers were not looking for jobs but they weren't going to sit around waiting for handouts. They talked with new authority. They had been through hell and they weren't going to accept the world they had left behind—including the depression wages still being paid at Westinghouse and the other big companies.[8]

When better wages and working conditions could not be won at the bargaining table, unionists resorted to strikes. Wartime wage freezes created pent-up demands for increases at war's end. In 1946 and 1947, about 240 000 workers struck for a total of almost seven million workdays. Automobile, steel, rubber, textile, packing, electrical manufacturing, forestry, and mining companies all felt the sting of such action. Average wages rose from 69.4 cents per hour in 1945 to 91.3 cents per hour in 1948.

Women in the labour force were generally not unionized and failed to share in the wage gains. In 1948, the Retail, Wholesale, and Department Store Union (RWDSU), supported by the Canadian Congress of Labour, initiated a three-year drive, headed by Eileen Talman, to organize Toronto's Eaton's store. The company pulled out all the stops to oppose the union, linking unions with communism, raising wages just before the vote on unionizing took place, and warning part-time workers that unionism would cost them their jobs. When only 40 percent of the workers supported affiliation with the RWDSU, the CCL leadership, almost exclusively male, concluded that women were too passive to unionize and ceased its attempts to organize sectors dominated by female labour.

Such stereotypical views were being exploded in Quebec, where women endured a bitter and ultimately successful strike at Dupuis Frères department store in 1952 to win better pay and working conditions. Members of the increasingly secular Confédération des travailleurs catholiques du Canada, these women were a harbinger of things to come in postwar Quebec, where the Union nationale government of Premier Duplessis often came to the armed defence of strike-bound employers. In 1949, workers in the town of Asbestos, unwilling to delay a strike until a government-appointed board of arbitration reported on their grievances, struck so that the company would not have time to stockpile asbestos before the inevitable walkout. During the five-month strike, the workers faced a large contingent of provincial police who protected replacement workers hired by the company. Many strikers were arrested or beaten in clashes with Duplessis's police.

The brutal state response to the strike galvanized considerable resistance to the Union nationale. Liberal and nationalist intellectuals, including future prime minister Pierre Elliott Trudeau, were increasingly united on the need to defeat Duplessis and to protect workers' interests. Even within the church, there were dissenters against Duplessis's heavy-handed tactics. Rank-and-file clergy who supported the Asbestos strikers briefly had a champion in Archbishop Joseph Charbonneau of Montreal, but his ecclesiastical superiors, closely associated with Duplessis, transferred him out of the province.

While their labour force participation continued to expand, women remained concentrated in poorly paid occupations. These typists at the Dominion Bureau of Statistics in 1952 are using Varityper machines, an alternative to traditional typesetting, which allowed institutions to save money by shifting the work to lower-paid employees. SOURCE: LIBRARY AND ARCHIVES CANADA

It was not only in Quebec that striking workers were confronted by police. In November 1945, the Ontario government sent provincial police and reinforcements from the RCMP into the gates of the Ford plant at Windsor to end a five-week-old strike. The strikers responded by blockading the plant with cars. The federal government appointed Justice Ivan Rand to mediate the conflict. The major issue was the closed shop, or compulsory union membership, for employees. Rand successfully proposed a formula for union membership: in a bargaining unit where a majority voted to join a union, employers must collect union dues from all members of the unit, but individuals could formally apply to have their dues sent to a designated charity rather than the union. A less happy ending greeted the loggers of Newfoundland, who struck in 1959 only to have Premier Smallwood use the RCMP to enforce his decision to decertify the International Woodworkers' Association as the bargaining agent of the loggers.

Opposition by employers to unions meant that the rate of unionization of private sector workers stalled after the 1950s. By contrast, public sector workers increasingly joined unions. Because women were heavily concentrated in the lower echelons of the public service, they made up four-fifths of Canada's new unionists from 1966 to 1976. Women in the "caring" professions, such as nursing, social work, and teaching, also questioned the stereotype that "women's work" was mainly community service rather than remunerative professional labour. Strikes by teachers, social workers, and civil servants, unheard of before the 1970s, began to become commonplace by the end of the decade.

An increase in militancy was especially noticeable in Quebec. In 1960, there were 38 strikes in the province; in 1975, there were 362. The Confédération des travailleurs catholiques du Canada formally ended its affiliation with the church in 1960, renaming itself the Confédération des syndicats nationaux (CSN). The CSN played a major role in the Common Front formed by Quebec public sector unions in 1972, conducting general strikes to improve the position of the lowest-paid public sector workers, most of whom were women. The Common Front provoked much opposition. Quebec's Liberal government, led by Premier Robert Bourassa, passed legislation to end the labour disruption, and jailed the leaders of the province's three largest labour federations when they encouraged their members to defy back-to-work orders.

VOICES FROM THE PAST

Factory Women on Strike

The predominantly young female labour force of Lanark Manufacturing Company, a firm in Dunnville, Ontario, making wire harnesses for the automobile companies, went on strike in August 1964. On strike for six months, their militancy countered popular stereotypes of women as passive workers. Here are some of their reflections about why they struck, what they faced during the strike, and what they gained by striking. Worker Rosemary Cousineau described factory conditions as

> just total exhaustion and stress. Sometimes you'd come home and the tightness in your back felt like you were all in knots. . . . You had to work so hard and so fast. If you made a mistake, the verbal abuse you'd get. . . . Predominantly young women were put on the rotary because, as one worker described it, "you had to hurry up. That's why we had more energy than the older girls, because we were young."

One young woman recounted the struggles on the picket line.

> It broke our hearts when we saw people still going in . . . and they did everything they could to stop the scabs from working. The police used to protect the scabs going in and out. . . . So we'd fight back—even with the police. We'd do anything to get back at 'em They're supposed to be protection for the public, right? They're not supposed to be biased. But they sure were. . . . It was all one-sided. . . . I was in court every week for something or other.

Striker Yvette Ward sized up the results of the strike years later.

> A lot of times I sit and think about it. Lanark, to me, was a landmark in the history of labour because these kids weren't afraid. They went ahead and did it, even though they knew they might lose their jobs forever. . . .
>
> I can't help but remember the unity and the courage and the knowledge that all of the girls from that time had—and the few men that were working there. We were bound together so tight. These girls were working for peanuts, and didn't have much to fight for, but they did. They fought for six months steady without a stop and never gave up for one minute. . . . It was the experience of a lifetime.[9]

FOREIGN TRADE AND INVESTMENT

The structure of trade as it emerged in the postwar period had one enduring characteristic: exports, which made up a quarter of GNP, consisted primarily of unprocessed and semi-processed products, while imports were mainly manufactured goods, most of them from the United States. In 1946, when the war-wrecked economies of most countries provided little for Canada to import, 75.3 percent of all Canadian imports were from the United States; in 1975, the figure was still 68.1 percent. Meanwhile, Canada's dependence on the American market for its exports grew from 38.9 percent in 1946 to 64.7 percent in 1975.

Capital as well as goods moved easily across the border. Canadians invested heavily in American companies, but not to the extent that Americans invested in Canada. As a result, the American dominance—already established before the Second World War in the ownership of key sectors of the Canadian economy, including manufacturing, petroleum and natural gas, and mining and smelting—grew dramatically.

Although service industries were less likely to be foreign owned, American capital penetrated the retail sector and dominated the burgeoning fast-food industry. Not all fast-food chains were American owned. In the 1960s, a Hamilton-based doughnut shop founded by hockey player Tim Horton made its humble debut; under other owners, it would gradually expand from the mid-1970s to become Canada's largest fast-food service by the end of the century.

Canadians were ambivalent about this transformation in their economic relations. In 1955, the Canadian government appointed chartered accountant Walter Gordon to chair a Royal Commission on Canada's Economic Prospects. The commission report, submitted in November 1957, expressed concerns that American branch plants in Canada hired few Canadian managers, did little exporting, and devoted little attention to research and development. The commissioners suggested that foreign corporations be required to employ more Canadians in senior management positions, and sell an "appreciable interest" in their equity stocks to Canadians.

Some Canadians disagreed with Gordon's concerns. Economist Harry Johnson spoke for many conservatives in arguing that economic nationalism was "a narrow and garbage-cluttered *cul-de-sac*."[10] He wanted all restrictions on foreign trade and investment removed. At the time, few heeded his advice. The major trade agreement between Canada and the United States in this period, the Auto Pact of 1965, suggested there were advantages to Canada in negotiating sector deals that violated free-trade principles. Only seven percent of Canadian-made vehicles were shipped to the United States in 1964, a figure that rose to 60 percent by the end of the century, making automobiles the largest single item in Canada's GDP. (The Auto Pact was abrogated in 2001 because it contravened free-trade agreements that

TABLE 13.2

Destination of Domestic Exports (excluding gold), 1946–1975 (in millions of dollars)

AREA	1946	1955	1965	1975
United States	884	2 548	4 840	21 074
Americas Other than U.S.	202	216	433	1 583
United Kingdom	594	768	1 174	1 795
Other western European	189	261	626	2 347
Japan	1	91	316	2 130
Centrally planned (Communist) economies	91	12	418	1 049
Other	312	363	717	2 571
Percentage of exports to U.S.	38.9	59.8	56.8	64.7

Source: F.H. Leacy, ed., *Historical Statistics of Canada*, 2nd ed. (Ottawa: Statistics Canada, 1983), Series G, 401–7

TABLE 13.3

Origin of Canadian Imports, 1946–1975 (in millions of dollars)

AREA	1946	1955	1965	1975
United States	1 387	3 331	6 045	23 641
United Kingdom	137	393	619	1 222
Japan	–	37	230	1 205
Other western European	14	143	514	2 074
Other American	164	409	548	1802
Centrally planned (Communist) economies	5	8	59	234
Other	134	246	618	4 537
Percentage of imports from U.S.	75.3	72.9	70.0	68.1

Source: F.H. Leacy, ed., *Historical Statistics of Canada*, 2nd ed. (Ottawa: Statistics Canada, 1983), Series G, 408–14

TABLE 13.4

Percentage of Foreign Control of Selected Canadian Industries, 1939–1973

INDUSTRY	1939	1948	1958	1968	1973
Manufacturing	38 (32)*	43 (39)	57 (44)	58 (46)	59 (44)
Petroleum and natural gas†	–	–	73 (67)	75 (61)	76 (59)
Mining and smelting	42 (38)	40 (37)	60 (51)	68 (58)	56 (45)
Railways	3 (3)	3 (3)	2 (2)	2 (2)	2 (2)
Other utilities	26 (26)	24 (24)	5 (4)	5 (4)	7 (4)
Total**	21 (19)	25 (22)	32 (26)	36 (28)	35 (26)

* Numbers in parentheses indicate percentage controlled by American residents
† Petroleum and natural gas combined with mining and smelting to 1948
** Total includes merchandising, not shown separately

Sources: F.H. Leacy, ed., *Historical Statistics of Canada*, 2nd ed. (Ottawa: Statistics Canada, 1983), Series G, 291-302; John Fayerweather, *Foreign Investment in Canada: Prospects for National Policy* (Toronto: Oxford University Press, 1974) 7

had been negotiated while the automobile agreement had remained in effect.)

With Walter Gordon as finance minister, the Pearson government introduced legislation to protect Canadian financial companies from foreign control, and took steps to reduce American dominance of the Canadian media. Gordon was fighting an uphill battle in a cabinet where many ministers were reluctant to offend the United States. By the time he resigned as finance minister in late 1965, his influence had waned. Nevertheless, Pearson agreed with Gordon's proposal to establish a task force on the structure of Canadian industry to examine whether it really mattered who owned industry in Canada. Gordon's choice for its head was a respected economist, Mel Watkins, of the University of Toronto.

The Watkins Report, formally entitled *Foreign Ownership and the Structure of Canadian Industry*, appeared in 1968 and challenged the misconception that Canada remained short of capital and needed foreign investment. If Canadians who invested abroad had kept their money at home, it argued, they would have reduced the need for foreign capital by half. The task force painted a picture of an inefficient branch-plant manufacturing economy geared to serving the Canadian market alone, leaving international markets to American-based plants.

Released at a time of growing nationalism in Canada and misgivings about the United States, the Watkins Report led to action on the part of the Trudeau government. The Canada Development Corporation (CDC) was created in 1971 to encourage Canadian ownership and management in vital sectors of the economy. In 1974, the Foreign Investment Review Agency (FIRA) was established to screen proposals for foreign takeovers of existing Canadian businesses. In 1975, the federal government created Petro-Canada, a Crown corporation with a broad mandate to develop a Canadian presence in the petroleum industry.

Apart from the revelations of the Watkins Report, pressure on the government to control foreign investment came from reactions to a number of high-profile plant closings by foreign-owned companies. British-based Dunlop Tire's decision to close its Toronto factory in 1970, putting 597 people out of work, led to campaigns both to limit foreign ownership and to ensure that all companies provide workers with adequate notice and compensation before closing. Trade union campaigns that focused on economic nationalism, argues historian Steven High, obliged "Canadian politicians . . . to legislate advance notice of layoffs, severance pay, pension reinsurance, job placement assistance, and preferential hiring rights."[11]

Not surprisingly, the American oil giants responded with considerable hostility to Canada's nationalistic economic initiatives. American oil companies operating in Alaska claimed the right to have their supertankers travel across the Arctic passage to transport their product to eastern American markets. In 1969 and 1970, the American tanker *Manhattan* carried several cargoes across the Arctic. Canada responded with the Arctic Waters Pollution Prevention Act, meant to protect the fragile northern environment and assert Canadian sovereignty in the North.

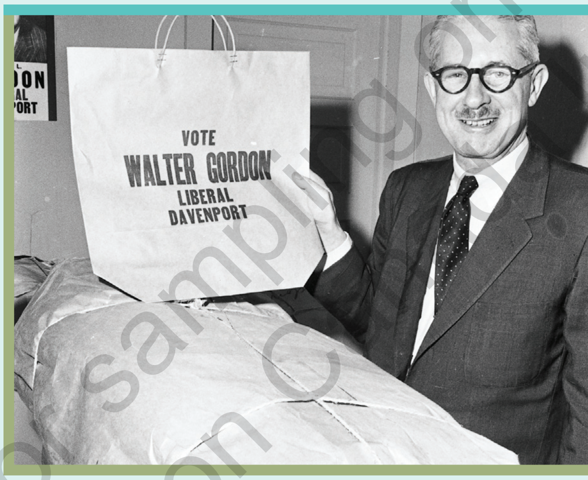
Such confrontations with the Americans help explain why President Richard Nixon, introducing import controls on manufactures in 1971, failed to exempt Canada as American governments had in the past. The Trudeau government's response was to seek a reduction of Canada's vulnerability to American actions by expanding global political and economic links. The government branded its new round of diplomacy to achieve new trading partnerships the "Third Option." The first option, maintaining Canada's prior relationship with the United States, had been tried and found wanting. Option two, closer integration with the Americans,

BIOGRAPHY

Walter Gordon: Canadian nationalist

Walter Lockhart Gordon was born in Toronto in 1906 into a life of privilege. His grandfather had made a fortune in Ontario's lumber industry and his father was a founding partner in a major Toronto chartered accounting firm. After attending Upper Canada College, a British boarding school, and Royal Military College, he joined his father's firm as a chartered accountant, becoming a partner in Clarkson, Gordon and Company in 1935.

Although Gordon was an unlikely candidate to be a leading economic nationalist, several factors encouraged him in his willingness to challenge pro-American views held by many business leaders in postwar Canada. His father, who served as a colonel in the Canadian army during the First World War, was an ardent British imperialist who resented the late entry of the United States into that war. Gordon's father-in-law, also a wealthy lawyer, became an activist in Communist causes during the Depression.



Walter Gordon during his election campaign in Toronto's Davenport constituency in 1962. SOURCE: YORK UNIVERSITY LIBRARIES, CLARA THOMAS ARCHIVES AND SPECIAL COLLECTIONS, TORONTO TELEGRAM FONDS, ASC06318

Gordon opposed communism, but he supported reform and was one of the owners of the CCF-leaning *Canadian Forum* magazine during the 1930s. He had also become a firm Canadian economic nationalist even before he was appointed chair of the Royal Commission on Canada's Economic Prospects in 1955. As a consultant to the Tariff Board during an investigation of the automobile industry in 1935–36, he urged the federal government to resist American efforts to remove stiff Canadian-content requirements necessary for the Americans to ship Canadian-assembled vehicles throughout the British Empire.

When the federal Liberals were defeated in 1957, Gordon became involved in efforts to rebuild the party by focusing on policies to help needy individuals and regions. Rewarded in 1963 by his friend Lester Pearson with the position of minister of finance, Gordon attempted to use his first budget to promote greater Canadian ownership of the economy. His budget proposed a 30 percent takeover tax on foreign investors who acquired Canadian corporate assets, along with a large penalty on non-Canadians receiving dividends from companies operating in Canada that had failed to keep at least 25 percent of their assets in Canadian hands. An organized business outcry caused Pearson to eliminate both of these budget measures.

Gordon supported Trudeau's bid for the Liberal leadership in 1968, and Trudeau offered him a Cabinet post, but Gordon decided to return to the private sector. As a private citizen, he joined with *Toronto Star* editor-in-chief Peter C. Newman and University of Toronto economist Abe Rotstein to launch the Committee for an Independent Canada in 1970. In 1971, the CIC presented a petition with 170 000 signatures to Prime Minister Trudeau calling on his government to legislate limits to foreign investment and ownership. The CIC is given credit for much of the nationalist legislation implemented in the early 1970s.

By the time of his death in 1987, Walter Gordon had witnessed first the legislative enforcement of a degree of economic nationalism, and then its impending demise as the Progressive Conservative government of Brian Mulroney carried out negotiations with the United States for a free-trade agreement.[12]

was unacceptable to Canadian nationalists and appeared, in any case, impossible in the age of Nixon. Although diplomatic efforts to expand Canada's trade with other nations bore some fruit, Canada remained overwhelmingly dependent on the American economy for its imports and exports.

Federal efforts to control American investment in Canada often met with a hostile response from the provinces. Since the provinces had constitutional jurisdiction over resources and could earn much-needed income from their development, they increasingly resisted the use of the federal power over trade and taxation to shape patterns of resource exploitation. Alberta governments opposed any "discriminatory" treatment of foreign capital, to which they attributed their energy boom.

Provincial pressures broke down the long-standing federal resolve to prevent large-scale hydro-electricity exports as a means of ensuring Canadian self-sufficiency in electricity. British Columbia, exploiting the American Northwest's need for more power, persuaded the Pearson government in 1964 to sign the Columbia River Treaty and Protocol, which committed Canada to sell power to the western American states. Soon Manitoba was signing deals with the Americans to deliver power from the province's North. In the 1970s, the Quebec government's James Bay project was meant to meet not only provincial power needs, but also considerable demand from the state of New York.

VOICES FROM THE PAST

Views of Foreign Ownership

In the 1950s and 1960s, Canada's political and business leaders expressed conflicting views regarding the benefits of foreign ownership of Canadian industries. The following excerpts provide a hint of the debate's flavour.

With an enormous area still of almost virgin country to be opened, Canadians need and welcome foreign investments and with their own healthy stake in the national development they have no fears of any domination.

—G.K. Sheils, president of the Canadian Manufacturers' Association, in the *Financial Post*, 1953

The free and unhampered flow of foreign investment into Canada has brought so many benefits to this country that it certainly is entitled to a fair and unbiased hearing from the Canadian people.

. . . If one allows for Canadian investment abroad and the use of foreign resources as a percentage of net capital formation, it turns out that not more than 6 per cent of Canadian investment in the postwar world depended on foreign resources.

. . . Canada's economy has been growing at such a rapid rate that the role of foreign investment in relation to our productive capacity has diminished and will continue to do so.

—C.D. Howe, Minister of Trade and Commerce, in the House of Commons, 1956

No other country in the world with something like our relative state of development has ever had such a degree of foreign domination, or even one half or one quarter the degree of foreign domination. Canada is being pushed down the road that leads to loss of any effective power to be masters in our own household and ultimate absorption in and by another.

—James Coyne, president of the Bank of Canada, to the Canadian Chamber of Commerce, 1960

During the two-and-one-half years I held that office [minister of finance], the influence that financial and business interests in the United States had on Canadian policy was continually brought home to me. On occasion, this influence was reinforced by representations from the State Department and the American Administration as a whole. It was pressed by those who direct American businesses in Canada, by their professional advisors, by Canadian financiers whose interests were identified directly or indirectly with American investment in Canada, by influential members of the Canadian civil service, by some representatives of the university community, and by some sections of the press.

—Walter Gordon, *A Choice for Canada,* 1966[13]

THE END OF THE ECONOMIC MIRACLE

By the early 1970s, there were dark clouds on the economic horizon. The American government had failed to raise taxes to offset expenses associated with the unpopular Vietnam War. Allowing the economy to overheat, it then attempted vainly to reduce inflation by cutting spending and tightening credit. American unemployment increased, and the government responded with trade restrictions, which had repercussions for Canadian trade and therefore Canadian rates of employment and inflation.

Then the OPEC oil price shocks late in 1973 roiled Western economies, which had relied throughout the postwar boom on cheap energy. In 1974, unemployment was a manageable 5.3 percent, but inflation stood at 14.5 percent. A year later, inflation was down to 9.9 percent, but unemployment had reached a postwar high of 6.9 percent. The combination of high unemployment and high inflation was labelled *stagflation*, a short form for stagnation plus inflation.

A political debate ensued about how to combat this unsettling phenomenon. In the August 1974 federal election, Progressive Conservative leader Robert Stanfield called for wage and price controls. Prime Minister Trudeau won re-election after vigorously opposing this prescription. In October 1975, Trudeau reversed himself, announcing a three-year program of controls. Trudeau's economic policies to deal with stagflation proved contradictory. Government spending increased substantially in accordance with Keynesian prescriptions for a stagnating economy, but beginning in 1975, the money supply was severely restricted.

Concerned about profit margins, business leaders began to abandon the postwar consensus on economic policy. Low rates of unemployment and generous unemployment insurance benefits, they complained, were forcing employers to pay wage increases that hurt profits. To stop inflation and create long-term stability, they demanded tight money policies and a scaling back of the welfare state, policies that would lead the way to a new leaner and meaner economic order.

CONCLUSION

The postwar liberal compromise assumed an important role for governments in directing the economy, but troubling contradictions soon surfaced. From the beginning, the business community resented the extent to which popular pressures caused governments to follow directions that were deemed detrimental to the market economy. Although the policies that produced growth brought increased prosperity to many, they left others behind and caused great harm to the environment. There was also a conflict between policies that supported growth and policies that sustained Canadian sovereignty. By the mid-1970s, the postwar liberal compromise seemed in tatters, as oil prices and inflation made a mockery of state planning and social activists were pitted against the business community on the degree and direction of state economic intervention. Economic policy in Canada and elsewhere was about to enter a period of noisy debate.

A HISTORIOGRAPHICAL DEBATE

Was Foreign Direct Investment Beneficial to Canada?

In the early postwar period, Canadians generally regarded foreign direct investment (FDI) as a factor in Canada's rapid economic growth. Although it meant that many companies were controlled by investors outside of Canada, it was assumed that they would respect Canadian sovereignty and follow Canadian laws. By the 1960s, this assumption no longer seemed to hold. The Report of the Royal Commssion on Canada's Economic Prospects (1957) had alerted Canadians to American dominance over major sectors of the Canadian economy, and by the 1960s fears were being widely expressed that it was undermining both Canadian sovereignty and Canadian economic performance. Economists inevitably waded into the contentious debate that ensued.

In 1966, A.E. Safarian, an economist at the University of Toronto, published an exhaustive study of the performance of foreign-controlled firms in Canada. He concluded that their overall impact was beneficial to both the Canadian economy and the treasuries of Canadian governments. Safarian's evidence for his conclusion was that the level of exports and the quantity of research and development by such firms paralleled that of domestically controlled firms.[14]

The Watkins Report submitted in 1968 challenged Safarian's empirical evidence, suggesting that foreign investment resulted in too many competitors in many sectors of the economy, discouraging innovation and efficiency. American firms were efficient at home in a market ten times the size of Canada's, but their "branch plants" in Canada focused on serving only the Canadian market and gave little thought to export strategies or to research and development. Facing tight markets, domestic competitors were unable to provide a different economic model, which explained why their record in terms of exports, research, and development was no better than the record of branch plants.

Watkins charged that Canada's foreign policies and trade initiatives were compromised by the presence of American multinational corporations, which obliged their branch plants to follow American trade laws when American and Canadian trade laws conflicted. American branch plants had allegedly turned down orders for trucks for China, pharmaceuticals for North Vietnam, and flour for Cuba, all countries that Canada traded with but which the United States rejected as trading partners under its Trading with the Enemy Act.[15]

In 1970, economist Kari Levitt published *Silent Surrender: The Multinational Corporation in Canada*, which affirmed Watkins's conclusions but went further, suggesting that a Canadian addiction to American investment and trade limited Canada's ability to set its own foreign policy goals. Levitt claimed that Canada's economy was distorted by the large-scale presence of foreign ownership, with the country becoming a net importer of capital and focusing on resource exports to balance imported manufacturing goods, particularly machinery.[16]

Pressures from economic nationalists caused the Trudeau government to place limits on foreign investment, which were mostly reversed after Canada signed a free-trade agreement with the United States in 1989. Writing in 1993, A.E. Safarian suggested that the evidence was unclear as to whether FIRA and the CDC had made any contribution to Canadian economic growth. In general, he argued, the evidence remained that foreign direct investment and an industrial policy that favoured market forces worked best to produce economic growth.[17]

Safarian's views had some unexpected supporters on the political left. In 2005, political scientist Paul Kellogg argued that the focus on national ownership versus foreign ownership obscured the more important issue of the division of spoils between capital and labour, and between Western capitalist countries and the poor countries of the developing world. According to Kellogg, the nationalists, and especially Levitt, exaggerated the extent of foreign ownership by focusing on the manufacturing sector where foreign investment was greatest. Levitt and other nationalists portrayed Canada as a country exploited by the United States and ignored its considerable and highly profitable investments in Latin America, the Caribbean, and elsewhere around the world.

Levitt's prediction that Canada's dependence on natural resources would rise had proven incorrect. Finally, the nationalists were wrong in their predictions that Canada was about to become a net exporter of capital. Kellogg mentions and rejects the view of his critics that the Trudeau legislation had turned the tide, asserting that the levels of foreign investment had begun to decline before the economic legislation was implemented.[18]

In practice, the Canadian economy remained heavily dependent on the export of natural resources before and after the economic nationalist legislation was introduced. Since the legislation was short-lived, it remains debatable whether it had the potential, on its own, to induce a restructuring of the Canadian economy.

NOTES

1. Quoted in Mr Justice Thomas R. Berger, *Northern Frontier, Northern Homeland: The Report of the Mackenzie Valley Pipeline Inquiry* (Ottawa: Minister of Supply and Services Canada, 1977) 1: 123.
2. Craig Heron, "Harold, Marg, and the Boys: The Relevance of Class in Canadian History," *Journal of the Canadian Historical Association*, n.s., 20.1 (2009) 1–4.
3. Frank James Tester and Peter Kulchyski, *Tammarniit (Mistakes): Inuit Relocation in the Eastern Arctic, 1939–1963* (Vancouver: UBC Press, 1994) 7.
4. The history of automobiles in their period of economic leadership in Canada is traced in Dimitry Anastakis, *Autonomous State: The Struggle for a Canadian Car Industry from OPEC to Free Trade* (Toronto: University of Toronto Press, 2013).
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