Kari Levitt and the Long Detour of Canadian Political Economy[1]

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Introduction: the return of a classic

When Kari Levitt first published *Silent Surrender: The Multinational Corporation in Canada* – it quickly became a defining text in the nationalist movement that was to dominate the English Canadian left from the late 1960s until the demise of the left wing Waffle movement in 1973. Mel Watkins, in his foreword to the 2002 re-issue – makes it clear that he hopes it can become as important for the current generation of the Canadian left, asserting that "the continuing resonance and relevance of this book, thirty years on and counting, is remarkable. Call it a Canadian classic."[2]

Watkins' foreword is worth a story in itself. He argues that Levitt's book "contributed to a political environment that culminated in a veritable wave of economic nationalist policies by the federal [Liberal] government in the decade of the 70s" [p. xii]. There are many who would see a contradiction between this praise for the actions of Liberal politicians and the past practice of a man who as a leader of the Waffle, positioned himself as one of the harshest critics of the bourgeois Liberals. It was Watkins, after all, who in the preface to the 1970 edition of Levitt's book called for an "independent socialist Canada" [p. xxii].

But for Watkins there is no contradiction. The economic nationalist policies carried out, by in particular, the Trudeau Liberals, were, for him, only possible as a product of the left nationalist movement that preceded them. Economic nationalism was wrenched out of a reluctant capitalist Liberal Party, that soon reverted to form once the left nationalist wave had subsided, and opened the door to "the deregulation and privitization (sic) of Canadian governments in the 80s and 90s" [pp. xii-xiii].

Watkins then uses two terms to describe Canada. The one will not surprise many on the left. Canada is, he argues, "the richest dependent developed industrialized country" in the world. This characterization of Canada as a "rich dependency" is nearly hegemonic on the Canadian left[3] But Watkins, never one to shy away from controversy, doesn't stop there. He asserts that Levitt's analysis and the political economy school it engendered, have proven that Canada is "the most neo-colonial country in the world" [p. xiii].

This is a remarkable claim. The Group of Seven capitalist countries (the G7) comprised the seven largest economies in what used to be called "the First World" (the Second being the so-called "socialist" countries, the Third being the vast majority locked into underdevelopment in the "developing" world). Canada was every bit a G7 member, being the seventh largest economy in the First World. With the collapse of the Soviet Union, Russia was granted membership, the G7 morphed into the G8, and Canada to this day is an established member of the G8.

The policies of the G8 have been implemented increasingly under the auspices of various "trade" and investment agreements and organizations, one of the key such being the World Trade Organization (WTO). The WTO is dominated by the Quadrilateral (or Quad) group of countries – the world's leading centres of international trade. The Quad is comprised of Japan, the European Union, the United States – and Canada.

Neo-colonialism was a theory developed to explain the continuation of imperialist domination after the end of overt colonial rule. Neo-colonies were seen as dependent, dominated, excluded and exploited. They did *not* sit at the table of the Great Powers. They were the victims of the Great Powers. Yet here sits Canada– alongside the U.S., Japan, Germany, Britain, France, Italy and Russia at the G8 and alongside the U.S., Japan and the EU at the at the Quadrilateral Group which dominates the WTO – and is, according to Watkins, a "neo-colony". [4]

Canada, the neo-colony, is hard to reconcile with Canada the active participant in exploitation, war and plunder that has been the hallmark of the G8 and the WTO. Canada has done much to earn the hatred of the oppressed throughout the world. Its corporations partake in the pillage of the Caribbean, Africa and Asia. Its planes and bombs have been used – in Iraq, in Bosnia and in Afghanistan – to assert the expansion of western influence in those regions. Its troops, today, patrol the streets of Haiti alongside those of France and the U.S. There are few in the anti-capitalist movement that developed in the wake of the Zapatista uprising of 1994 and the Seattle uprising of 1999, who would identify the G8/Quad member Canada as a neo-colony.

One of two things is possible. Either Canada is a remarkable exception – a neo-colony that has somehow found its way to the inner circles of world imperialism. Or, Watkins is wrong – the characterization of Canada as a neo-colony makes no sense.

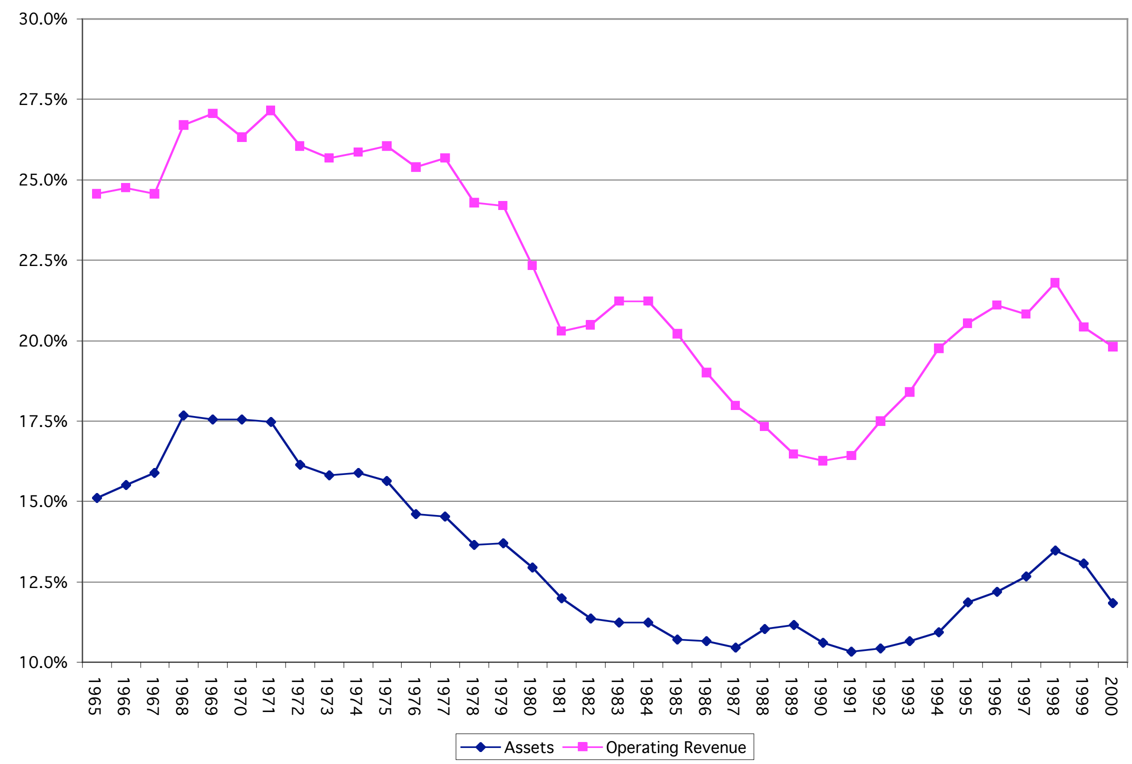
This paper will argue the latter case. Further, the much weaker claim of Levitt's – that Canada is a rich dependency – is also wrong. Watkins is right to identify Levitt's book as a seminal work in the Canadian political economy tradition. But that work did not lead to clarity, but confusion. It contributed to a long detour of Canadian political economy, which has had political economists for almost 40 years trying to square the circle – explain the actions of a G8/Quad member country as being in the same category as the world's neo-colonies and dependencies. Levitt's book should be read by today's new left – but not as a work to be emulated, but to be critiqued and transcended.

Future imperfect

One criteria for assessing the cogency of a political and economic theory is its ability to anticipate future trends. No theory can be expected to get everything right. But what is remarkable is the extent to which the predictions in Levitt's work have been entirely wrong.

Let us start with the central claim, that of U.S. control of the Canadian economy. This is absolutely crucial to her thesis. She develops an argument that Canada's economy has become a hinterland for U.S. multinationals, and that hinterland status has been enforced through inexorably rising levels of U.S. control of the Canadian economy. Watkins himself, in the introduction, has to acknowledge that there are some problems with this claim, saying "we now know that the level of foreign ownership relative to Canadian ownership actually began falling in the 1970s." However, he says, with the implementation of the free trade agreements in the 1990s, this was reversed. "Levels of foreign ownership in Canada relative to domestic ownership stopped falling and began rising again" [p. xiii]. Given that the vast majority of foreign control of the Canadian economy is U.S.-control, the key question is the history of U.S. control of the economy. Chart 1 plots the rise and fall of U.S. control of the Canadian economy, by share of assets and share of operating revenue, from 1965 to 2000.

Chart 1: U.S. control of assets and revenue in the Canadian state, 1965-2000[5]



What this reveals is quite interesting. U.S. control of economic assets within the Canadian economy peaks at just over 17.5 per cent in 1968. From that point, its share falls steadily until 1991 to just over 10 per cent. Watkins is right – it does begin to increase through the 1990s, but only to around 13 per cent, and in 1998, it begins to decrease again. A similar pattern emerges with respect to U.S. control of operating revenue within the Canadian economy. Here the peak is reached in 1971 at just under 27.5 per cent. By 1990, this has fallen steeply to around 16 per cent, recovering to just over 22 per cent by 1998, and then turning down again.

A neutral observer, on looking at these figures, might wonder what all the fuss is about. Yes, U.S. corporations control a sizeable minority of the assets and revenue produced within the Canadian economy – but nowhere near a majority. By any measure, assets and revenue within the Canadian economy, are in their majority – a substantial majority – owned and controlled by Canadians. In terms of assets, from 1988 to 2000, the figure rarely dipped below 80 per cent. In terms of revenue, during the same period, it fluctuated between 70 per cent and 75 per cent.[6]

Here the figures are presented from 1965 until 2000. An earlier presentation of this data was made before 2000 figures were available.[7] Mel Hurtig challenged my interpretation of those statistics. While acknowledging that U.S. control began to decline in the 1970s, he – like Watkins – attributed that to the effective policy efforts of Canadian nationalists, in particular the Trudeau-era implementation of the Foreign Investment Review Agency (FIRA). Again paralleling Watkins, he argued that levels of foreign ownership began to increase in the 1990s when FIRA was abandoned and Canada signed onto the Free Trade Agreement (FTA) with the United States. The decline of foreign ownership levels in 1998 and 1999 was an aberration, he maintained, and that when the figures for 2000 and 2001 were available, we would be able to see that foreign control of the Canadian economy was again "rapidly increasing".[8] Hurtig, I argued, was placing "far too much emphasis on the economic impacts of various federal policy initiatives. The changing structure of the Canadian economy is being shaped by forces much more powerful than the Canadian state."[9] Further, while we don't yet have figures for 2001, the 2000 figures presented above, certainly do not portray "rapidly increasing" foreign ownership of the Canadian economy. Again in that year, levels of foreign ownership decreased.

But even if there had been a return to increasing levels of foreign ownership in 2000 (or if there is again in coming years), that is not the decisive factor. As I argued at the time:

> The left nationalist dependency paradigm was wrong in the 1960s, when levels of U.S. control of the economy were dramatically increasing. Left nationalism assumed that foreign ownership in an advanced capitalist economy like Canada's was at least partially analogous in its effects to foreign ownership of the economies of Third World countries. This has clearly not been the case. The Canadian left nationalist political economy tradition was narrowly fixated on the issue of foreign ownership, and this blinded it to the key dynamics driving the Canadian economy.[10]

This is not the end of the matter, however. Watkins and Levitt, have an approach that could be used as a counter to the argument being developed here. The key to understanding the dynamics of foreign – in particular U.S. – control, is not to focus on the economy as a whole, but to narrow the focus to the critical manufacturing sector. If foreign control dominates here, in the heart of the capitalist economy, then that will set the pace for the economy as a whole.

> Once the most dynamic sectors of our economy have been lost, once most of the saving and investment is taking place in the hands of foreign capitalists, then the best prediction is a steady drift towards increasing foreign control of the Canadian economy with the only certain upper limit being 100 per cent [p. xvii].

This was originally printed in 1970, and reprinted without comment in the 2002 edition of Levitt's work. But do the facts support the argument?

Unfortunately, the best series for tracking foreign control of the Canadian economy by sector was discontinued after the figures for 1987 were published. Those figures do tell us something. The trend is similar to the overall U.S. control trends outlined in Chart 1. U.S. control of Canadian manufacturing rises to a peak in 1969 at 45.39 per cent, plateaus at or near that level through the early 1970s, and then steadily retreats until in 1987 it is at just 34.91 per cent.[11] Unfortunately, without data for manufacturing separated out for most of the 1990s, we cannot definitively say whether the trend in the 1990s for manufacturing mirrored the trend for the economy as a whole – a return to increasing U.S. control through the early and mid-1990s, and then decline at the end of the decade. New statistics, however, have now been released for the late 1990s. By those figures, U.S. control of manufacturing assets in Canada stood at 31 per cent in 1999 and fell to 26 per cent in 2000,[12] seemingly in line with the trend for the economy as a whole, and completely out of line with what Watkins argued would be the case.

Regardless, it seems quite clear that there has not been a "steady drift towards increasing foreign control of the Canadian economy" as a consequence of high levels of U.S. control in the manufacturing sector. There was, in fact, from 1970 on, a sharp two-decades long decline in U.S. ownership and control of assets and operating revenue within the Canadian state, somewhat of an increase in the 1990s, and a further decline in the late 1990s. Say what you will, there is certainly no evidence of a slide towards "100 per cent" foreign control of the Canadian economy. In fact, a stronger case can be made that there is a long term tendency, well entrenched now for more than 30 years, of increasing Canadian capitalist control of the economy.

Levitt herself does not make the prediction of an inexorable increase in U.S. control of the Canadian economy, although it is implicit in her analysis. Her key predictions fall into two related categories. One concerns the expected trajectory of the United States, the other that of Canada. Roughly speaking, she anticipates a continued and uninterrupted rise in the economic pre-eminence of the United States on a world scale, and a parallel decline for Canada, with Canada facing a future of dependence on raw material exports, a truncated manufacturing sector, and ultimately declining living standards. Let us look at these in turn.

On the future of the United States, she is unequivocal. "It has been estimated that the overseas expansion of U.S. corporations will result in the American control of 75 per cent of the non-communist world's output by the year 2000, if not sooner" [p. 37] Or again: "the output of American industry and its foreign affiliates accounted for some 55 per cent of total non-communist world production in the mid-sixties. As American multinational corporations are growing roughly at twice the rate of domestic ones, the share of total world production under American control is expected to rise to 64 per cent by 1980 and 80 percent by 1990" [p. 92]. Her emphasis is on the overwhelming domination of the U.S. in the world economy, made in such a way to clearly underline that multinational capitalism was essentially *American* multinational capitalism. "American business enterprise enjoys an evident advantage in the new commercial and industrial mercantilism which is reflected in the fact that two hundred of the largest multinational corporations in the world operate out of the United States, but only some twenty to thirty out of other countries" [p. 93].

But this outline of the future of the world economy – and America's place in it – is very far removed from what has actually happened. Richard B. Du Boff has outlined the evidence for this in succinct fashion. "In 1950 the United States supplied half the world's gross product, against 21 percent at present. Sixty percent of the world's manufacturing production in 1950 came from the United States, 25 per cent at present."[13] Now 21 percent and 25 per cent still represent big chunks of the world economy, but the important point is that they are *declining* chunks.

This is reflected in the declining share of the world's largest corporations that are controlled from within the borders of the United States. This has been evident for some time. In 1982, Barry Bluestone and Bennett Harrison clearly documented this decline.

> In 1959, according to a study of twelve manufacturing industries and international commercial banking, the United States was "home" for 111 out of the world's 156 largest multinational corporations: a share of 71 percent. By 1976 only 68 out of the largest 156 (43 percent) were American based.[14]

This decline has continued. By 2002, according to figures published in the *Fortune 500*, just 39 of the top 100 publicly-traded corporations in the world were based in the U.S. Closely behind them were the European Union at 36 and Japan at 20.[15] By 2003, for the first time in generations, Europe had surpassed the U.S. Forty of the top 100 publicly traded corporations in the world were based in Europe, the U.S. figure had declined to 35, while Japan remained at 20.[16]

Levitt's analysis cannot account for these developments. Transfixed by the power of the U.S. economy, with a focus limited to the momentary expression of that power in terms of its relation with one country – Canada – she argues that the U.S. would continue its pre-eminence. She certainly did not foresee the emergence of significant competition from Europe. There is no doubt, she argued, that "the identity of interest and the single-focus decision-making involved in the American corporation was a superior device to its European counterpart, the business arrangement or cartel" [p. 81].

If that is the case, how have EU-based multinationals made up such substantial ground in their competition with their U.S. counterparts? Again, Levitt's analysis cannot account for the dynamic changes that have taken place in the world system since she wrote. In 1982, Bluestone and Harrison summarized those dynamics very clearly. "The United States emerged from the Second World War with the only major functioning army, with more than half of all the usable productive capacity in the world, and as the banker and creditor to both former allies *and* former enemies,"[17] they argue. But maintaining its military dominance had negative consequences for America's relative international competitive position.

> In the years just after World War II, the major surviving European and Japanese corporations, as well as newly formed ones, were preoccupied with rebuilding their domestic capacities. The Allied proscription against German and Japanese remilitarization after the war contributed significantly to this reconstruction by effectively forcing those two countries to plow back virtually all of their domestic savings into research, development, and new plant and equipment for the

> production of marketable commodities.
>
> For a while, this left a substantially clear field for American firms in the postwar global economy. Not until the 1960s could foreign corporations afford to undertake major, direct overseas investments again. But when they *did* begin to compete internationally, it was from a modern, tightly-managed capital base, under conditions of relative domestic political stability and backed by a wide consensus about the desirability of active government indicative planning.[18]

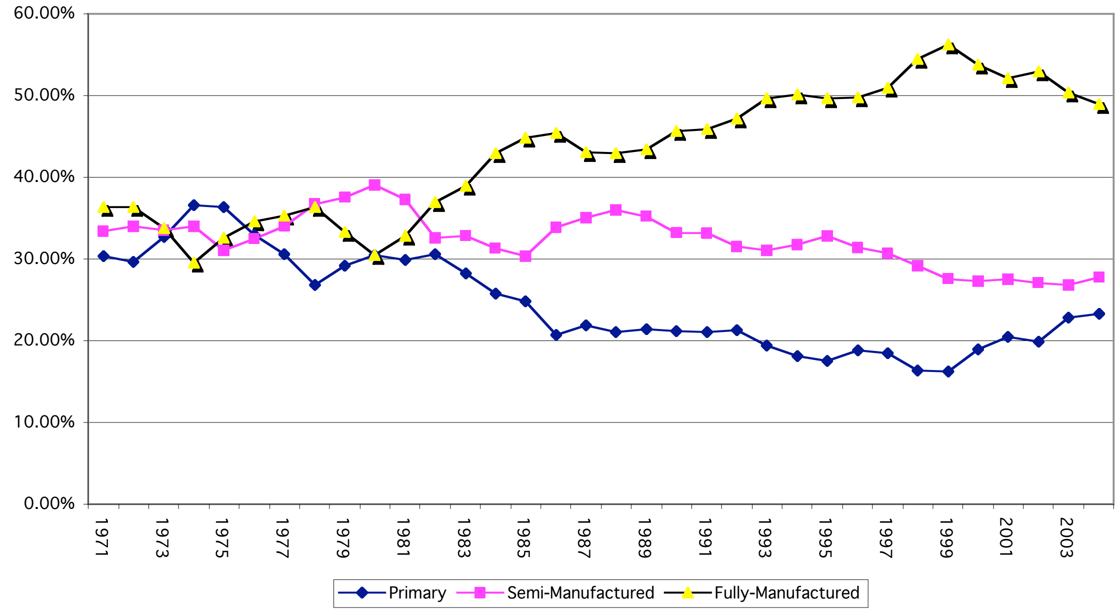
This is very clear, and is the second half of the theory of the "Permanent Arms Economy". The first half of the PAE analysis was developed by theorists such as Michael Kidron and Tony Cliff.[19] High levels of arms spending characterized the post-war period. This "Permanent Arms Economy", Kidron argued, had the effect of stabilizing the world economy for a decade. The tendency towards crises of overproduction built-in to the capitalist system could be offset if two conditions prevailed. 1) There was a pressure to divert investment towards arms production for the state, so that 2) the state – as the purchaser of massive quantities of armaments – could act as the ultimate "consumer of last" resort, that overproduction-prone capitalism had always needed. But that "stabilization" was only possible as long as the U.S. remained overwhelmingly dominant. Bluestone and Harrison are highlighting the paradox built into the PAE. These high levels were carried unevenly – overwhelmingly concentrated in the two great Cold War rivals, the U.S. and the U.S.SR. Those advanced capitalist countries that had relatively lower levels of arms spending, had higher rates of growth in the "civilian" sides of their economy, and over time – particularly in the case of Japan and Germany, but true also in a more limited extent for Canada – were able to considerably close the competitive gap between themselves and the United States.

Levitt's method is highly impressionistic, and predicts not relative U.S. decline, but steadily increasing U.S. dominance. Her predictions are completely at odds with developments in the generation since she wrote. The U.S. has today to cope with a world of multiple rivals. It is not the economic hegemon to the same extent it was in the 1940s and 1950s.

This mistake on the trajectory of U.S. capitalism dovetails with her mistake on the trajectory of Canadian capitalism. She cites the high levels of U.S. control of Canadian manufacturing, and predicts that its consequences will be dire. Growing Foreign Direct Investment means that "in general the host country acquires a market for its raw materials and becomes a market for the manufactured goods of the investing country … Canada has acquired markets for its industrial raw materials and has become a market for manufactured goods produced by American corporations located both here and in the United States" [p. 60] Or again: "[t]he share of crudely processed materials in exports has not diminished significantly" [p. 119]. Or again: foreign ownership has skewed Canada's trade profile towards a " high proportion of primary or crudely processed materials in Canada's exports and the correspondingly high proportion of finished manufactures in her imports" [p. 127].

But is this profile of Canada's trade correct? The latter certainly is – Canada has a very high proportion of finished manufactures in its imports. From 1971 until 2002, finished manufactures rarely fell below 60 per cent of all imported goods and on occasion approached 70 per cent.[20] But the picture of Canada's export trade, painted by Levitt, is completely wrong. Chart 2 shows this clearly.

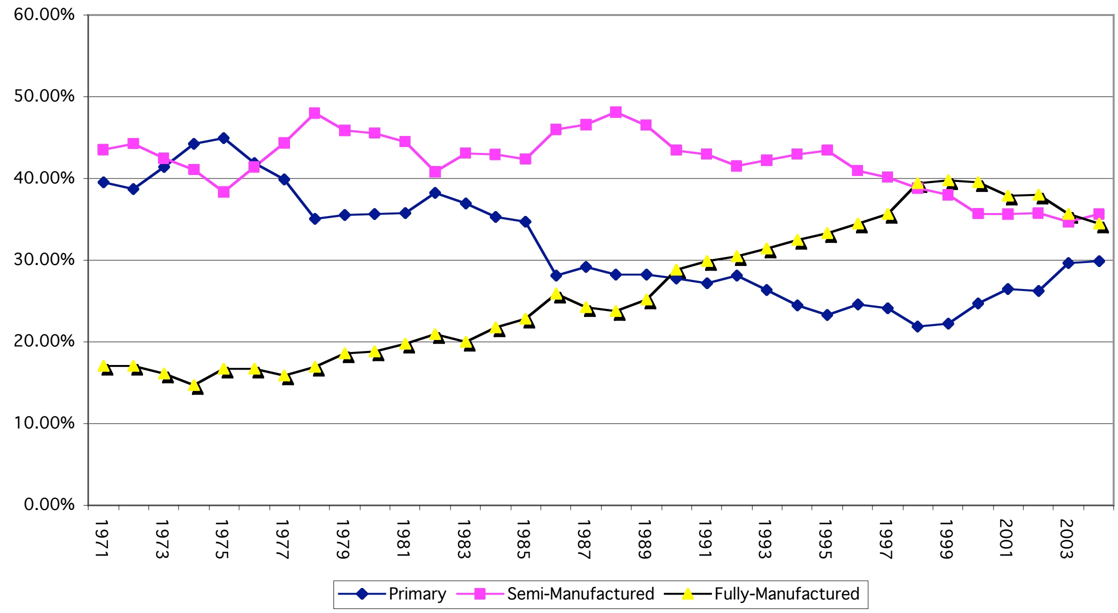
Chart 2: Composition of Canadian Export Trade, 1971-2004[21]



Through the 1970s, primary, semi-manufactured and fully-manufactured exports vied with each other for an equal share of Canada's exports, each accounting for roughly one-third of Canada's export trade. But by the early 1980s, this picture definitively changed. Fully-manufactured exports comprised a greater and greater proportion of Canada's export trade, regularly comprising 50 per cent of all exports. Primary product exports fell to around 20 per cent, and semi-manufactured to around 25 per cent. Canada, in other words, has not developed as a hinterland economy, reliant on imports for its manufactured goods, in exchange for raw materials.

There is actually more to the story than is revealed in this graph. Numerous defenders of left nationalist political economy deal with the phenomenon of Canada's enormous growth in fully-manufactured exports, by conceptually eliminating an entire category. Auto exports, it has been argued on several occasions, should be excluded from a consideration of Canada's trade profile, as they by and large constitute intra-firm transfers. Elsewhere I have surveyed this literature and argued that the exclusion of automobile production from a profile of the Canadian economy is illegitimate.[22] However, if automobile exports, for argument's sake, are removed from the statistics, some interesting insights can be made. Chart 3 reconstructs the trade profile outlined in Chart 2, but excludes all categories of automobile and truck exports (including parts) from both the numerator and the denominator. (In other words, to make a fair comparison, if automobile exports are not counted as part of Canada's finished manufacture export profile, they must also be excluded from figures for total exports). The results are worth a story in themselves.

Chart 3: Composition of Canadian Export Trade, excluding automobile and truck exports, 1971-2004[23]

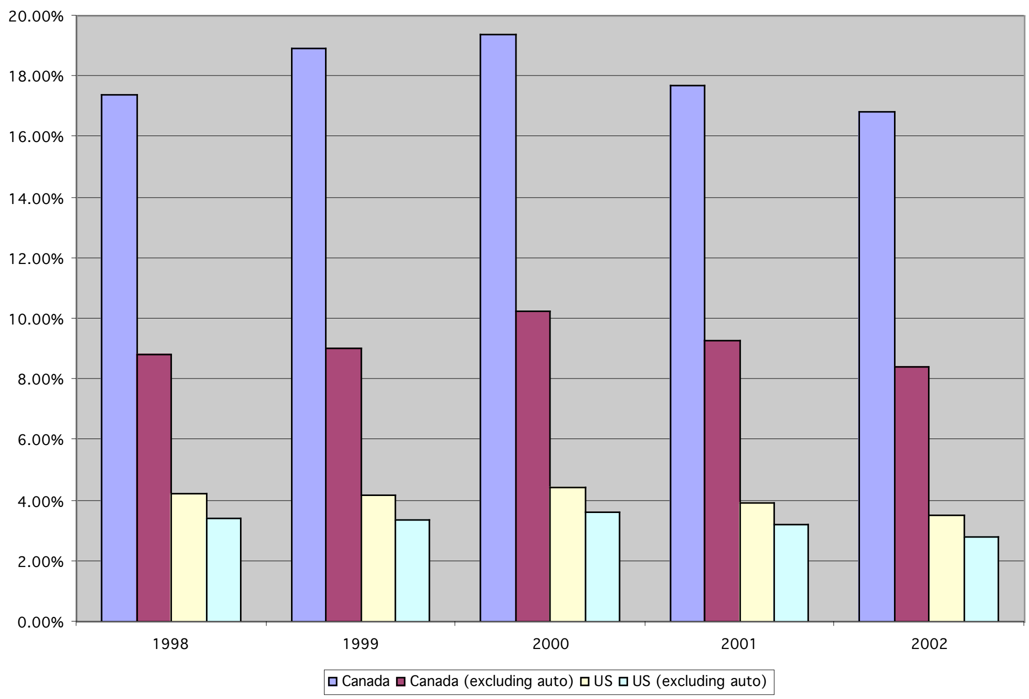


In the early 1970s – at the very peak of the influence of left-nationalist political economy, excluding automobile and related exports does generate a picture of Canadian export trade that is radically different from the argument being presented here. Excluding automobile and truck exports results in fully-manufactured exports comprising under 20 per cent of total exports throughout the 1970s. Primary product exports range between 40 and 50 per cent of total exports for the same period, vying with semi-manufactured products as the dominant component of Canadian export trade. There is, in other words, an empirical picture that might justify an argument that portrays Canada as a "hewer of wood and a drawer of water".

But such a view misses the dynamic of the Canadian economy, which is also captured in this chart. There is, in other words, empirical data – and then there is empiricism. Through the 1980s and the 1990s – even when automobile and truck exports are excluded – Canada's export profile steadily changes, with fully-manufactured goods increasing noticeably as a proportion of overall trade – doubling in less than 20 years, from around 20 per cent to around 40 per cent of overall exports – while for the most part, primary product export's share decreases. There might be an empirical case, in other words, in the early 1970s to argue that Canada has the trade structure of a dependency. But that can only be done if a blind eye is arbitrarily turned to some pretty large empirical facts (the millions of tons of automobiles which are produced for export in Oshawa, Windsor and elsewhere). And this empirical generalization misses completely the central dynamic of the Canadian economy, which is the same as the central dynamic of all advanced capitalist economies – a tendency for, over time, exports to be less and less comprised of primary products and more and more comprised of manufactured goods. In other words, even if automobile trade is excluded from Canadian export statistics, the case being made in this paper is not in any way altered.

There is another matter to consider. Percentage of export trade figures obscure the fact that, for a small nation, Canada is an exporting giant. Canada exports enormous quantities of goods in every export category. Reworking export figures to be shown as a percentage of Gross Domestic Product, reveals that by any standard, Canada's export of finished manufactured goods is impressive, and in no way indicates truncated development. Chart 4 displays finished manufactured exports from Canada and the U.S. in two ways. When all figures are included, from 1998 to 2002, Canada's exports of finished manufactured products represent in excess of 16 per cent of GDP, more than four times the equivalent figures for the U.S. Subtracting automobile exports does change this somewhat, since Canada exports automobile products at a rate considerably greater than the U.S. But even when these figures are excluded Canada's non-auto finished manufacture exports fluctuate between 8 and 10 per cent of GDP, *almost three times the rate* of equivalent figures in the U.S.

Chart 4: Finished manufactured export as percent of GDP, Canada and the U.S., 1998-2002[24]



Levitt's predictions, in other words – not predictions peripheral to her theoretical framework, but predictions centrally embedded in it – have in every respect turned out to be wrong. This in itself is not a refutation of her theoretical framework and her approach. It is what would be called in a court of law "circumstantial evidence". But to quote Thoreau, "some circumstantial evidence is very strong, as when you find a trout in the milk."[25]

The central role of FDI

Perhaps Levitt's most central claim – and certainly the lynchpin around which left nationalist political economy in Canada built its school – concerns the central role of Foreign Direct Investment (FDI) in structuring the Canadian economy. Her claims about FDI are large and sweeping.

First, she distinguishes between two different types of foreign investment – portfolio and direct. Portfolio investment is, in essence, passive. It refers to the sale of bonds or debentures or non-controlling equity stock. It involves Canadian corporations incurring debt obligations. But once those debts are paid off, control of the firm in which the investment has taken place remains in Canadian hands. And there is no obstacle to the paying off of these debts other than the ability to pay of Canadian capitalists. No transfer of ownership is necessarily implied (although certainly possible if the debtor reneges on its obligations). Foreign Direct Investment, on the other hand, involves the establishment of "subsidiaries and branch plants controlled by externally-based parent corporations". The distinction between these two forms of investment, she argues, "is crucial. In the former case control remains with the borrower; in the latter it rests unequivocally with the lender" [pp. 58-9].

There is an echo here in Levitt of some aspects of classical Marxist political economy as it developed in the early years of the twentieth century. Lenin, Trotsky, Bukharin and Luxemburg in particular, understood that the key to imperialism was economics. The world was (and is) divided into a hierarchy of nations, with the vast majority being impoverished and undeveloped, a small minority hosting the most advanced industries and the richest capitalists. One of the key features of these handful of rich nations was what Lenin called, the "export of capital".

Because of its competitive, unplanned nature, capitalism involves a constant tendency towards over-production. Mature capitalisms, therefore, face a constant problem of finding new markets for investment. There is a drive to "export capital" abroad – in modern language, to use profits made at home to invest in new productive capacity abroad. Levitt is simply using a more current expression – Foreign Direct Investment – but she is referring to the same phenomenon – export of capital – identified by an earlier generation, and without question it has been a key hallmark of imperialism.

In the 19th century, it was Britain in particular that exported massive amounts of capital as the world's dominant imperialist power. And in the 20th century all the great imperialist powers – the United States, France, Germany and Britain – expanded their reach abroad through Foreign Direct Investment, the export of capital. Lenin argued that the classical profile of imperialism was a rich country spreading its investments to poor "Third World" countries, in exchange for cheap labour and cheap raw materials.

But the similarity between Levitt's analysis and the earlier Marxists ends there. The form is the same, but the content is quite different. She clearly illustrates that Canada had always been a net importer of capital. This accelerated through the 1950s and 1960s as massive amounts of mostly American investment flooded the country. A higher and higher percentage of industry in Canada became controlled by American business.

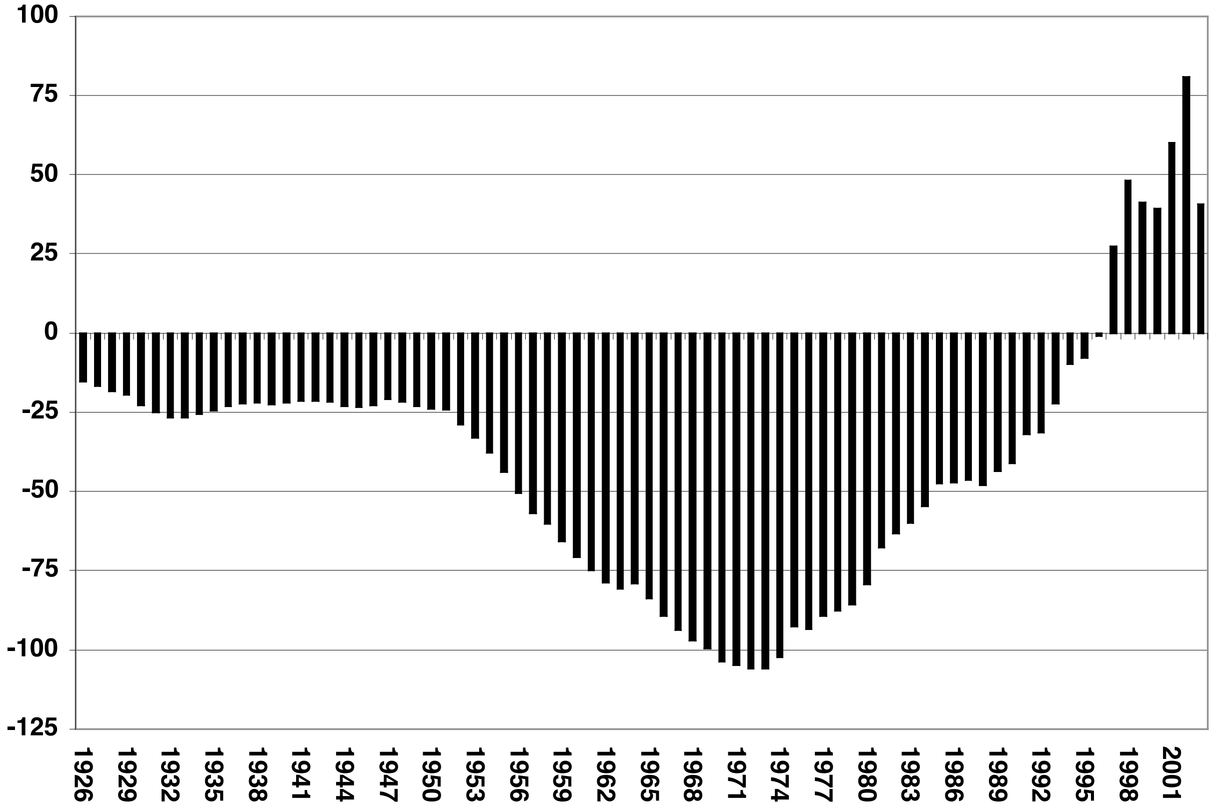
But there was more to the content of the classical Marxist analysis than simply the export of capital. It is worth looking in detail at exactly what Lenin said about the export of capital as it fit into an understanding of imperialism.

> As long as capitalism remains what it is, surplus capital will be utilized not for the purpose of raising the standard of living of the masses in a given country, for this would mean a decline in profits for the capitalists, but for the purpose of increasing profits by exporting capital abroad to the backward countries. In these backward countries profits are usually high, for capital is scarce, the price of land is relatively low, wages are low, raw materials are cheap.[26]

Perhaps Canada fit this profile in the 17th and 18th centuries, in the era of the great "staple" industries analyzed by Harold Innis. But Canada does not today and did not in the 1960s when Levitt wrote her analysis, fit this profile in any way. It is not a low-wage economy, like China (where much factory labour is done for just 40 cents an hour). Its wages are roughly comparable to those in the U.S. and Europe – the most advanced sections of the world economy – and have been for some time.[27] It was not accurate in the 1970s, and is not accurate today to summarize Canada's interaction with the world economy as primarily comprising the acceptance of foreign capital in exchange for raw materials. Raw material exports as a percentage of Canadian trade have been declining for close to a century. Primary industries as a percentage of GDP have been declining even faster.[28] The Foreign Direct Investment into Canada that Levitt made central to her analysis, was not a sign of imperialist domination, but simply an indicator of Canada's growing integration into a wider continental economy.

One key indicator of this was, while massive amounts of foreign capital flowed into Canada, Canadian capitalists at the same time exported significant amounts of capital abroad. They too were playing the Foreign Direct Investment game. When Foreign Direct Investment into Canada is subtracted from Canadian Direct Investment Abroad, the result is Canada's "Net" Foreign Direct Investment. Chart 5 plots this from 1926 until 2003, and the results are fascinating.

Chart 5: Net Foreign Direct Investment, Canada, 1926-2003 (billions of 2003 dollars)[29]



Through the 1920s, 1930s and 1940s – while Canada was in transition from being in Britain's sphere of influence to America's – the picture was fairly constant. Canada had a negative position of Net Foreign Direct Investment of around $25 billion a year (all figures have been converted into 2003 dollars). That is, Foreign Direct Investment into Canada exceeded Canadian Direct Investment Abroad by around $25 billion a year. With the economic boom of the 1950s and 1960s, this picture changed dramatically. The negative figures grew rapidly, until by the early 1970s something like $100 billion more per year was flowing into Canada than Canada was investing abroad.

But from the early 1970s on there was a steady reversal of the trend, Canada's negative position growing smaller and smaller. By 1997, Canada was exporting more capital abroad than it was importing, and in the years since, Canada's export of capital abroad has literally jumped off the page. In 1997, Net FDI just exceeded $25 billion. In 1998, 1999 and 2000 it was either above or just below $40 billion. In 2001 it jumped to $60 billion, in 2002 to above $80 billion, returning to the $40 billion mark in 2003. Canada now has the classic profile of an imperialist power – it exports larger and larger amounts of capital out of the country every year.

Jim Laxer, in a critique of an earlier presentation of this argument, recognized this trend, but drew some puzzling conclusions.[30]

> He sees the relative decline of U.S. Foreign Direct Investment into Canada, and the steady increase of Canadian direct investment abroad, not as signs of

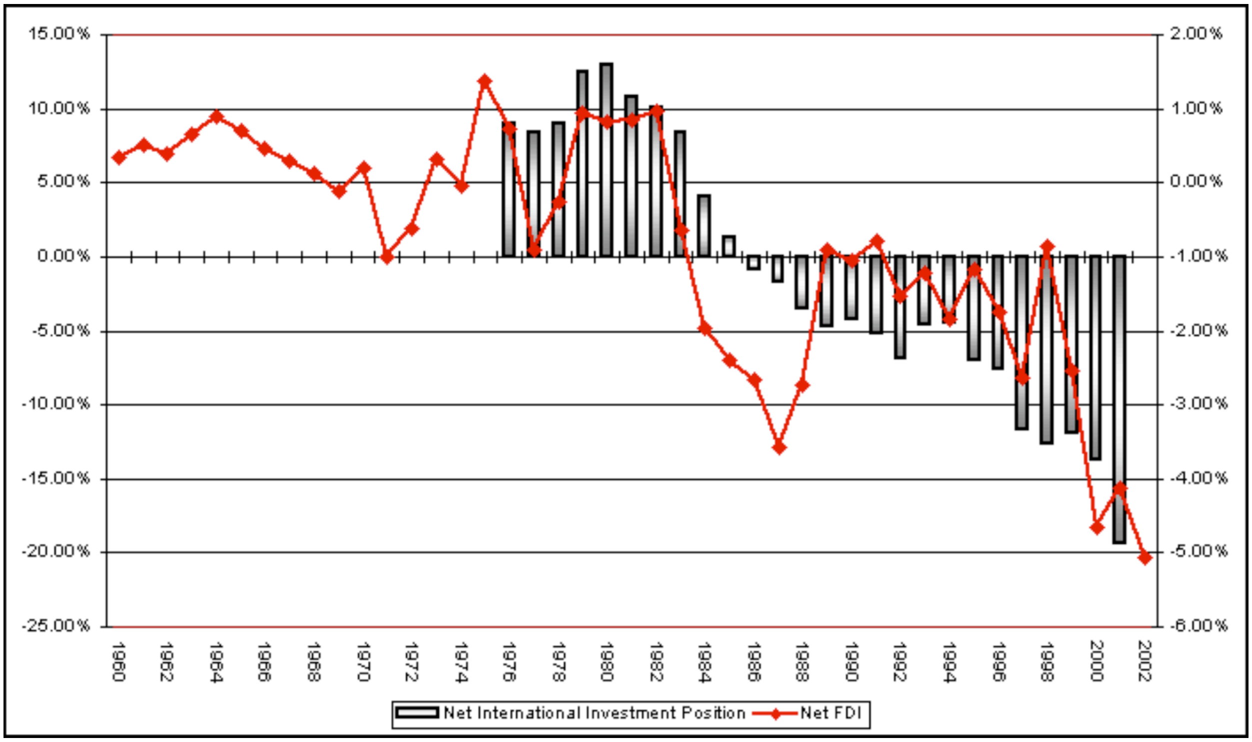
> Canada's increasingly aggressive stance abroad, but as effects, again, of *dependency* on the U.S. But a *sine qua non* of the left nationalist literature has been the central role of *inbound* FDI. It was Kari Levitt who almost 40 years ago fingered high levels of inbound FDI as *the central mechanism* by which Canada was being ground down into a position of a neo-colony. Laxer agrees that FDI relative to Canadian direct investment abroad has steadily decreased in the Canadian economy. From 1997 on, Canada has been a net exporter of capital. But Laxer, argues that this too is a sign of dependency. This is extremely confusing. According to Laxer (following Levitt and many others), when inbound FDI outpaces Canadian direct investment abroad – this is a sign of dependency – not just any sign, but the principal mechanism through which dependency is constructed. But according to Laxer, when this is reversed, and Canada's direct investment abroad exceeds inbound FDI – when Canada is a net exporter of capital – this is *also* a sign of dependency. Laxer is trying to have his FDI cake and eat it too.[31]

The mistake of the 1960's Canadian left was to see just one side of the picture. They saw an influx of Foreign Direct Investment into Canada, and concluded that this put Canada into the category of other countries – in Central America, the Caribbean, Asia and elsewhere – that were on the receiving end of imperialism.

But Canada – unlike the countries of Central America for instance – was already an advanced capitalist country, with a population divided into capitalists and workers, with large-scale industry well-established, with a small and dwindling proportion of the workforce engaged in agriculture and raw material extraction. Foreign Direct Investment, then, had a very different impact on Canada than it did on the poorer countries of the world system.

There is a further matter that must be said. When the same criteria are applied to an analysis of the United States, an astonishing picture emerges. The experience there has been the mirror opposite of Canada's, as Chart 6 indicates.

Chart 6: Net Foreign Direct Investment, and Net International Investment Position, U.S., 1926-2002 (percent of GDP)[32]



The U.S. was once the world's leading exporter of capital. Through the 1960s, 1970s and into the early 1980s, its Net Foreign Direct Investment was (except for two years) positive, at times going above 10 per cent of GDP. But since the early 1980s, it has in most years been a net importer of capital. By 2002, this negative Net FDI had ballooned to more than 20 per cent of GDP. And as a result, since 1987, the Net International Investment position of the U.S. – the value of its holdings abroad less the value of foreign holdings inside the U.S. – has been negative and grown steadily more negative until it today, in value, is equivalent to almost five per cent of U.S. GDP.

A superficial reading of these statistics could lead to the absurd conclusion that the U.S. is in the process of becoming someone's dependency. This would be, of course, wrong. What it does highlight, is the way in which the whole debate about dependency in terms of Foreign Direct Investment figures is misplaced when it comes to dealing with advanced capitalist economies like the U.S. and Canada. These figures indicate something – they certainly indicate the growing interconnectedness of economies at the top of the world system, and they do reflect relative levels of competitiveness. But they must not be confused with Foreign Direct Investment between First World and Third World countries – the export of capital that, Lenin argued, was the chain of gold which enslaved those countries to the imperialist heartland. The FDI relationship between Canada and the rest of the world is many things, but it is certainly not that – except, of course, to the extent that Canada's FDI enslaves sections of the Third World.

From the mouths of the Liberals

So Levitt's work fails to anticipate any of the key developments in the world economy, or in the Canadian economy. One of the reasons for the prescriptive failure of Levitt's political economy, I would argue, is the way it is embedded in Liberal Party ideology and not in Marxism. The first thing that stands out on a re-reading of her work some thirty years on is the extent to which it is a continuation, not a critique, of ideas generated from Canada's leading party of big business – the Liberal Party.

The very introduction of the notion of Canadian "colonialism" and dependency, in Levitt's account, comes from one of the most senior Liberal cabinet ministers of the mid-1960s – Walter Gordon – and the then prime minister, Lester Pearson. They are joined later in the chapter by then provincial Liberal cabinet minister, Eric Kierans (who passed away May 10, 2004, as this paper was being finished).

Levitt quotes Gordon, in 1967, warning of the danger of Canada falling into a "semi-dependent position in relation to the United States." If nothing is done to prevent it, he argues, Canada is in danger of "becoming a colonial dependency of the United States, with no future except the hope of eventual absorption." He says that "with economic control inevitably goes political control. This is what colonialism is all about." He ends by saying that Canada is "haunted by the spectre of a colonial or semi-colonial future." Pearson is the very next authority cited. "It is not a very comforting thought, but, in the economic sphere, when you have 60 per cent or so of your trade with one country, you are in a position of considerable economic dependence." Kierans comes in a little after, saying that the "tightening of the American grip on our own economic objectives" is "an infringement on our political sovereignty" [pp. 1-10]

Left nationalist dependency theory, as it became hegemonic in the late 1960s and early 1970s, attempted to wed its analysis of Canadian "dependency" onto the dependency/underdevelopment paradigm developed by radical theoreticians who had studied the stunted development of Africa and Latin America. There was always a problem with this given that fact that Canada's development – when compared to any Third World "dependency" – has not been stunted. Canada has been entrenched at the top of the list of the world's richest nations for decades. It is instructive, then, that Levitt's account does not begin with these radical theorists, but with Liberal politicians for whom the term "dependency" is not used with any precision, but as a rather loose description of Canada's relationship to the United States. These authorities are not radical, but extremely mainstream.

Gordon – who went on to become an icon of nationalists in Canada, the "gentle patriot" who warned Canada of the danger of American domination – was an extremely powerful man in his time. He was the finance minister in Lester Pearson's Liberal government from 1963 to 1965. From 1967 to 1968 he was President of the Privy Council. He was, in other words, one of the senior men in the Canadian state, a 1960's equivalent to this century's Paul Martin or John Manley.

Kierans also was no man of the left. "From 1960-63 he served as President of the Montreal and Canadian Stock Exchanges." In 1963 he was "elected to the Quebec Legislature as representative for the riding of Notre Dame de Grace and served as Minister of Revenue and later as Minister of

Health in the Cabinet of Premier Jean Lesage. In April 1968 …[he] was a candidate for the leadership of the National Liberal Party and as Member of Parliament for Duvernay joined the Trudeau cabinet in July of that year."[33] In that cabinet, his most prominent portfolio was as Postmaster General, where he began the process of downsizing the post office, phasing out the Post Office Savings Bank and closing many small post offices. He was the first to attempt to introduce massive new automation into the post office, something that after his tenure would result in serious conflict with the postal unions.

Pearson, too, should not be mistaken as someone friendly to the left, although has been given a very soft ride by many critics. He is usually, for instance, associated with Canadian "peacekeeping". What is not often pointed out was his ambivalent role during the most important war of the period, the Vietnam War. Under his reign, it is true, Canada did not go to war in Vietnam. But Charles Taylor has ably documented the secretive support given to the American war effort by the Canadian government.[34] One key way this support was given was by, at crucial moments, doing nothing. Canada, along with India and Poland, was a member of the International Commission for Supervision and Control in Vietnam (ICSC). Listen to Ramesh Thakur's outline of Canada's "peacekeeping" role under first Pearson, and then Pierre Trudeau.

> In the American war years (1964-73), the Commission for practical purposes was lifeless, and Canada subordinated ICSC obligations to considerations of discretion in its relations with the United States, whose political objectives it supported.[35]

It is important to be clear, in other words, that these three authorities with whom Levitt begins to construct her case, were able representatives of Canadian capitalism. This is not to say that Levitt would not have shared many of these criticisms of, in particular, Lester Pearson. While quoting him as an authority, she also exposes his waffling on his attitude to the Vietnam War in front of a student crowd. He argued that he was reluctant to publicly dissociate the Canadian government from the American government because "an embargo on the export of military equipment to the U.S. and concomitant termination of the Defence Production Sharing Agreements would have far-reaching consequences that no Canadian government could contemplate with equanimity" [p. 3]. Peacekeeping, in other words, had to take a back seat to Canadian corporate profits.

But even her criticism of Liberal Party fence-sitting becomes confusing. Levitt cites this as part of her argument that Canada was in the process of losing its sovereignty to the U.S. Later she would talk about "the problem of maintaining political sovereignty at a time when economic sovereignty is so gravely threatened" [p. 56]. This loss of sovereignty would make it relatively easy for "America's closest friends" including Canada to be "harnessed in the effort to finance the rising costs of empire" [p. 102].

But we saw earlier that one of the reasons for the slow rise to equality in the world economy by the nations in the European Union, has been their ability to resist helping the U.S. finance the costs of empire. And in Vietnam, Canada similarly resisted. In spite of considerable U.S. pressure, Canada did *not* go to war in Vietnam. This was an exercise in sovereignty, no different than Chrétien's exercise of Canadian sovereignty in 2003 when he refused to back the U.S. war in Iraq. Just like Chrétien, Pearson was acting as a loyal representative of the Canadian capitalist class. The Defence Production Sharing Agreements saw Canadian corporations profit handsomely as they fed the voracious U.S. war machine. What could be more sovereign, in a capitalist world – to avoid paying the costs of a bloody war, and to promote conditions where Canadian capitalists could profit from it? This is not a sign of neo-, semi- or complete colonialism – it is a sign of (capitalist) sovereignty, the sovereignty of a rich and capitalist state. This resistance to being "harnessed in the effort to finance the rising costs of empire" has had extremely important consequences for Canada, Japan and sections of Western Europe. It is precisely because less surplus was ploughed into the military in those regions, and more reinvested into the "civilian" economy, that these areas of the world system were able to catch-up to the United States in economic development in the post World War II era.[36]

The value of theory

The absence of analysis rooted in the Marxist tradition, and the heavy reliance on public statements from Liberal Party politicians is of a piece with Levitt's very unsound theory as to the source of value in a capitalist economy. The second chapter is misleading entited, "The Old Mercantilism and the New". Its central idea has nothing to do with mercantilism, but with her view as to the source of economic growth and development. She accepts the argument of Joseph Schumpeter that "development" should be "defined exclusively in terms of endogenous entrepreneurial initiative and innovation" [p. 25]. The chapter, then, unfolds as a hymn of praise to the economic virtues of innovation.[37]

In a "dependent" relationship, she argues, innovation inevitably is stunted in the dependent society and becomes centred almost exclusively in the metropolis. "When the emphasis is placed on endogenous entrepreneurial initiative, metropolitan economies are seen as sources of development (active); hinterland economies as places of production (passive)" [p. 26]. In Canada's case, this has seen the "Canadian entrepreneurs of yesterday" become transformed into "the coupon clippers and hired vice-presidents of branch plants today" [pp. 39-40].

Interwoven into this analysis is a very particular view of the source of profit, a central question given the profit-motive that drives capitalism. "Profit" according to Levitt "is the result of innovation and the origin of the accumulation of wealth" [p. 28]. So without entrepreneurs, there will be a tendency towards economic decline.

But when Levitt tries to apply this analysis, the confusions begin to multiply. Contemporary left nationalist political economists – often basing themselves in part on Levitt's analysis – almost uniformly categorize Canada as a "rich dependency". Canada is clearly at the top of the world in terms of development, hence the term "rich". But "dependency" is invoked as a term to indicate the loss of Canadian sovereignty through increasing U.S. control. So when Watkins characterized Canada as "the richest dependent developed industrialized country" in the world in his introduction to Levitt, he was stating something akin to a Canadian political economy truism. However, this may be Watkins, but it is not Levitt. It is not the dependency portion of the dependency/underdevelopment equation which she emphasizes, but the underdevelopment one. Based on her view that development is bound up with entrepreneurship, and that entrepreneurship migrates towards the centres of ownership and control (that is, towards the U.S. and away from Canada), Levitt argues that "Present-day Canada may be described as the world's richest *underdeveloped* country" [p. 25, *emphasis* added].

Levitt was a scholar who studied the Caribbean. She knew very well that there had to be some empirical manifestation of underdevelopment. In the Caribbean, the argument about dependency/underdevelopment was bound up with an explanation of that region's gross economic inequalities and terrible, gut-wrenching poverty. But the reality in Canada is very different. And if there is no economic (in the sense of poverty and standard of living) consequence to the "underdevelopment" analysis of Canada, it will severely weaken her case. So underdevelopment is defined as the underdevelopment of entrepreneurship, rooted in "the branch-plant nature of Canada's economy" which "is likely in the not-so-long run to involve a serious loss in the material quality of living" [p. 33]. Canada is not poor – yet. But its underdevelopment of Canadian entrepreneurship will lead to poverty in the future.

The trouble is, thirty years on, this "serious loss in the material quality of living" has yet to happen. That is not to say that there has been no decline in living standards. A wages offensive opened up in the early 1970s, and saw wage levels steadily decline into the 1990s. An attack on the social wage through the 1980s and 1990s severely impacted on the living standards of Canadian working people. But this experience was shared with workers in the United States, Europe and elsewhere in the advanced capitalist universe. Living standards declined, but not because of dependency, but because of capitalist crisis. And that decline– in the U.S., Canada, Europe or Japan – still left living standards far above those in the real centres of underdevelopment located in that section of the planet commonly called the "Third World".

We earlier documented her (mistaken) claim that the U.S. was on a trajectory to massively expand its hegemonic position in the world economy. Here too, a large part of the error is linked to her analysis of the role of entrepreneurship. "[W]hat gives the United States the capacity to compete in world markets despite its high wages is its ability to produce a steady flow of new products" [p. 28]. And this ability, she argues, is rooted in its decisive lead in "entrepreneurship".

But is it really true that U.S. corporations dominate the world economy because of their marvelously innovative entrepreneurship? What of the vast literature on the development of monopoly capitalism, and its overt and covert suppression of innovation? We are a car dependent society, not because the automobile is an inherently superior form of transportation, but because the big car companies made it their business to buy up and mothball streetcar companies throughout the United States in the key decades when car dependence was an open question. We use oil as our principle energy source, not because oil firms are marvelously innovative, but because, as Anthony Sampson has ably shown, the oil industry has for a century operated as a cartel to suppress competition and innovation.[38] We have massive nuclear facilities in place throughout North America and Europe, not as the result of competition and innovation, but as a spinoff from the military-driven development of the nuclear bomb. Microsoft dominates the world's computer systems, in spite of the fact that its innovation and entrepreneurship have been scandalously undeveloped. Bill Gates stole and borrowed other people's innovations – and used his marketing and then monopoly power to enforce his computer systems on the entire world. The reality of modern capitalism is of big, bureaucratic monopolistic firms, using market domination, brute force, bribery and intimidation to expand their influence and protect their profits. This has been the reality of capitalism for a very long time. Levitt's work, with its hymns of praise to the creative power of the entrepreneur, reads like a libertarian utopia.

Levitt is caught in the contradictory logic of a very wrong economic theory. Schumpeter's argument that "price is determined without regard to the cost of production" is of a piece with twentieth-century "subjectivist" value theorists who arose to challenge Karl Marx and the other representatives of classical political economy. From this comes the subjectivist notion that profit is related to something as ephemeral as entrepreneurship. Levitt's gloss on Schumpeter is subjectivist in the extreme: "profit derives from the deliberate introduction of innovation by the entrepreneur. Profit is thus created by his 'will and action'" [p. 27]. But Marx's objective theory of value and the source of profit has stood the test of time much better than the anti-Marxist subjectivist critics. Levitt is quite right to argue that "Marx's capitalist … makes profit from exploiting labour." Had she built her economics on this foundation, she would have been on much firmer ground. Cy Gonick has outlined Marx's theory succinctly. Profits, he argues, "derive from the extra time (surplus labour) workers spend on the job after they have produced enough goods to cover the value of their wages. Surplus value is the extra value workers produce beyond what is necessary to cover the value of their wages."[39] Pull on that thread, and you uncover the real dynamics of modern capitalism. Pull on that thread, and you can soon see how two generations of diverting surplus into the wasteland of arms production, had the effect over time of worsening the relative position of the U.S. in the world economy, and how *not* engaging in such massive waste allowed Canada to relatively improve its position, viz the U.S.

Conclusion

Levitt's analysis is often called left nationalist. But in truth, it boils down to nationalism, pure and simple. She sees Canada as oppressed by the economic domination of the United States. She wants to be the tribune of Canada's fight against the U.S. And thus she attempts to define "Canadian" values that are worth defending.

> Respect for law and order, regard for civil rights, abhorrence of mob rule and gangsterism … and traditional respect for Ottawa as the national government of the country are still deeply felt in English Canada. These are the elements of English-Canadian patriotism and they define the English Canadian, as distinct form the American. This value system is as real as the branch plants. It is the source which nourishes English-Canadian nationalism… [pp. 133-5].

How is this distinguishable from the every day, low level patriotism that every child is fed in every public school in every city and town across the country?

Watkins sees Levitt's work as precursor to today's anti-globalization literature. To be fair, it is in part. Levitt was passionately concerned with the growing powers of the multinational corporations, and was determined to understand this development in order to develop a plan of action to combat it. But her analysis – by only tackling American multinationals and not Canadian – makes her work not so much a precursor to the literature on globalization, but a throwback to the failed political economy of the World War I era Second International – where French radicals critiqued German capitalism, and German, French. Criticism of capitalism at home was deflected to criticism of *foreign* capitalism abroad. The price for this was paid in blood as French and German workers murdered each other in defence of “their” national capitalism.

We have seen the danger of this approach at the beginning of the twenty-first century, when sections of the anti-war movement looked to German and French capitalism as a bulwark against the war drive of the United States, when Social Democratic Parties in Europe openly speculated about developing a European military as a counter-balance to the American war machine. A stronger Europe is not a buffer against the American empire, but a new rival centre of imperialist power – a centre that we have seen in the past can be as rapacious and as dangerous as the United States itself.

It is important for socialists in Canada to target U.S. imperialism and U.S. corporations. But who will challenge the Canadian state and the Canadian capitalist class? Who will remember the brutal torture and death of Shidane Arone at the hands of Canada’s “peacekeeping” military in Somalia? Who will expose the role of Talisman in the Sudan? Who will expose the deeply embedded exploitation of the Caribbean that is, in large part, organized through Canadian banks and financial institutions? Who will be tribune of Canada’s First Nations, whose enemy resides not in Washington, but in Ottawa? Who will remember and critique the very Canadian suppression of civil liberties during the 1970 “October Crisis” in Quebec? Who will explain the background to, and denounce the implications of the rabid pro-free trade arguments that come from Liberals like Pierre Pettigrew – more wedded to ripping open the Third World to exploitation by the First World than even his American comrades? These jobs fall to the left and the workers’ movement in Canada, and we are less able to perform them when we drape ourselves in the colours of Canadian nationalism.

But that is not the main point of this paper. Strategy and theory do not always neatly coincide. There are many left nationalists who do target – in addition to the American empire – the Canadian state and Canadian capitalism. What this paper is argued is that basing this opposition to the Canadian state and capital on a political economy tradition that builds on Levitt’s work, is fraught with dangers. It is equally possible, on the basis of her analysis, to justify a stance in defence of Canada against the great power to the south, and this “defence of Canada” can easily become a defence of the Canadian state and Canadian capitalism. This paper’s primary focus, however, has not been on strategy and tactics. That is for another day. It has simply attempted to show that Levitt’s political economy, which attempted to justify such a nationalist response – developed in a classic book that all contemporary students of political economy need to read and study – is flawed and must be transcended.

Notes

[1] In the 1970s, the English Canadian left was largely dominated by a political perspective, the best description of which is "left nationalist". There was a developed argument that Canada should be viewed as an oppressed nation – a hinterland economy supplying raw materials to the American empire – and that in this context, socialists should be nationalists. This took political expression in the formation of the Waffle, a left nationalist current inside the NDP. This debate has now been renewed. There has been a revival of the left in the wake of both the anti-capitalist and the anti-war movements. As is often the case, this new wave of radicalization is casting back to the last wave in search of political analysis, and in Canada's case this has meant an attempt at reviving left nationalism. *Canadian Dimension*, launched a debate on the merits of a "campaign for Canadian sovereignty" in the summer of 2002 (see http://www.canadiandimension.mb.ca/v36/v36_4fs.htm, a response by myself http://www.canadiandimension.mb.ca/v37/v37_2pk.htm followed by a rejoinder by the CD editors http://www.canadiandimension.mb.ca/v37/v37_2cd.htm). These themes were picked up and developed in a more extensive form in a paper I presented last year at the meetings of the CPSA ("After Left Nationalism: The Future of Canadian Political Economy," part of the panel "Future of the left in a Neo-Liberal Era", annual meeting of the Canadian Political Science Association, Dalhousie University, Halifax, Nova Scotia, May 2003, since updated and published in *Marxism* vol. 2, 2004) which became the object of a debate on the web site http://www.vivelecanada.ca with contributions from Waffle veterans Robin Matthews and Jim Laxer, as well as well known nationalist Mel Hurtig. This paper should be seen as a continuation of the themes developed in this debate.

[2] Mel Watkins, "Foreword to the Carleton Library Series Edition" of Kari Levitt, *Silent Surrender: The Multinational Corporation in Canada* (Kingston: McGill-Queen's University Press, 2002), p. xi. Hereafter, references to Levitt's book will be in text.

[3] It is the central political economy idea, for instance, in Joseph K. Robert *In the Shadow of Empire: Canada for American* (New York: Monthly Review Press, 1998), used by both Roberts in a central chapter, "The making of a rich dependency" and by Leo Panitch in the Foreword.

[4] Thanks to Byron Sheldrick, University of Winnipeg, for underlining the significance of this point, while acting as discussant for my paper "After Left Nationalism."

[5] Compiled from Statistics Canada, Industrial Organization and Finance Division, Corporations Section, *Annual Report* of the Minister of Industry, Science and Technology under the Corporations and Labour Unions Returns Act, Part 1 – Corporations 1988 (Ottawa: Minister of Industry, Science and Technology, 1991), Catalogue 61-210 and CANSIM (Canadian Socio-Economic Information Management System) II, Table 1790001, "Corporations Returns Act (CRA), Major Financial Variables", and Table Number 1790004, "Corporations Returns Act (CRA), Major Financial Variables". CANSIM data originates from the Statistics Canada CANSIM Data Base. CANSIM is an official Mark of Statistics Canada.

[6] Calculations from CANSIM.

[7] Paul Kellogg, "The case for internationalism: A response to Hurtig, Laxer and Matthews", September 30, 2003, http://www.vivelecanada.ca/article.php?story=20031001133356263.

[8] Mel Hurtig, "Mel Hurtig's Response to Paul Kellogg," September 15, 2003, http://www.vivelecanada.ca/article.php?story=20030915110923259.

[9] Kellogg, "The case for internationalism".

[10] Kellogg, "The Case for Internationalism".

[11] Based on CANSIM II, Table Number 3760047, "International Investment Position, Capital Employed in Non-Financial Industries by Country of Ownership".

[12] Based on CANSIM II, Table Number 1790004. Comparisons with the earlier measurements have to be heavily qualified. Here, the statistics measure assets, while the earlier data measured capital employed. Measured as a percent of Operating Revenue, the 1999 and 2000 figures are 37.8 and 33.4. To be fair, when measured as a percent of profits, U.S. control of manufacturing did increase between 1999 and 2000, rising from 38 to 40 per cent. But profits are the most volatile of all these categories, and the most prone to yearly fluctuations (as we learned the hard way with the Enron, WorldCom and now Nortel scandals).

[13] Richard B. Du Boff, "U.S. Hegemony: Continuing Decline, Enduring Danger" in *Monthly Review,* December 2003, Volume 55, Number 7, p. 1

[14] Barry Bluestone and Bennett Harrison, *The Deindustiralization of America* (New York: Basic Books, Inc., 1982), p. 142.

[15] *Fortune 500, The 2002 Global 500*, July 22, 2002 http://www.fortune.com. There are many different ways of measuring the size of corporations. In the *Business Week's Global 1000* (http://bwnt.businessweek.com/global_1000/2003/) for instance, U.S. dominance seems to be still immeasurable. Of the top 1000 companies, U.S. based ones have a market value of almost $9.5 trillion, 50 per cent more than Japan ($1.3 trillion) and Europe ($5 trillion) combined. However, it is important to remember that market value is based on the stock market, and the U.S. stock market remains wildly over-valued (For some of the reasons behind this, see my "Contradictions of the American War Economy" paper presented to Annual General Meeting, Socialist Studies, Halifax, June 2003). It is much more fruitful to compare corporations on the basis of sales and assets. When this is done, the same picture emerges as with our other figures – a U.S. and Europe that are on an even footing. U.S. top 1000 corporations had $5.5 trillion in sales, just slightly more than those in Europe ($5.1 trillion) and more than twice that of Japanese top 1000 corporations ($2.1 trillion). Assets are the real story. Here the European corporations have a clear lead with assets valued at $26.3 trillion, followed by the U.S. at $19 trillion and Japan at $7 trillion. Canada, just as a footnote, has top 1000 corporations with assets of $1.7 trillion, not quite on par with the U.S. relative to the size of the two economies, but not all that far behind either.
[16] *Fortune 500, The 2003 Global 500*, July 21, 2003 http://www.fortune.com.
[17] Bluestone and Harrison, p. 112.
[18] Bluestone and Harrison, pp. 141-142.
[19] See Michael Kidron, *Capitalism and Theory* (London: Pluto Press, 1974) for a classic development of this thesis.
[20] My calculations, based on Statistics Canada, CANSIM II Table 2280001, "Merchandise Imports and Exports, by Major Groups and Principal Trading Areas for All Countries".
[21] Compiled from Statistics Canada, CANSIM II Table 2280001, "Merchandise Imports and Exports, by Major Groups and Principal Trading Areas for All Countries".
[22] Kellogg, "After Left nationalism".
[23] Compiled from Statistics Canada, CANSIM II Table 2280001.
[24] Compiled from Statistics Canada, CANSIM II Table 2280001 and United States Bureau of Economic Analysis, "Trade in Goods and Services, Exhibit 6: Exports and Imports of Goods by Principal End-Use Category" http://www.bea.gov/bea/di/home/trade.htm
[25] Henry David Thoreau, "Journal" in William Rossi, ed., Henry David Thoreau, *Walden; and, Resistance to civil government: authoritative texts, Thoreau's Journal, reviews, and essays in criticism* (New York: Norton, 1992).
[26] V.I. Lenin, "Imperialism, the Highest Stage of Capitalism" in Lenin *Collected Works*, volume 22 (Moscow: Progress Publishers, 1977), p. 241.
[27] Mary Hennock, "China: the world's factory floor," BBC News Online http://news.bbc.co.uk/1/hi/business/2415241.stm. The "high-wage" nature of Canadian capitalism is central to analyses developed by Glen Williams ("Canada – The Case of the Wealthiest Colony" in *This Magazine* Volume 10, Number 1, February-March, 1976) and Leo Panitch ("Dependency and Class in Canadian Political Economy" in *Studies in Political Economy* 6, Autumn, 1981).
[28] See Kellogg, "After Left Nationalism"
[29] Compiled from CANSIM II, Tables 3760037 and 3760051, "International Investment Position"
[30] Jim Laxer, "The Fight for Sovereignty," September 23, 2003, http://www.vivelecanada.ca/article.php?story=20030923150504788.
[31] Kellogg, "The Case for Internationalism".
[32] Compiled from Bureau of Economic Analysis, "U.S. International Transactions Accounts Data: Table 1. U.S. International Transactions", http://www.bea.gov/bea/international
[33] Robert L. Armstrong, "Introduction" to "Energy – A sign of Future Tension" presentation by Eric Kierans to the Empire Club of Canada (Toronto: March 28, 1974), http://www.empireclubfoundation.com/details.asp?SpeechID=2030&FT=yes
[34] Charles Taylor, *Snow Job: Canada, the United States and Vietnam (1954 to 1973)* (Toronto: Anansi, 1974).
[35] Ramesh Thakur, *Peacekeeping in Vietnam: Canada, India, Poland, and the international Commission* (Edmonton: The University of Alberta Press, 1984), p. 255.
[36] For more on this, see Kellogg, "After Left Nationalism".
[37] Leo Panitch notes the way that this reliance on Schumpeter as opposed to Marx hobbles not just Levitt. "Explicitly or implicitly, Levitt, Naylor and Clement operate with virtually identical definitions" of development, derived from Schumpeter. "The intellectual messiness of the new Canadian political economy stems in large part from an attempt to combine rather indiscriminately Schumpeter with Marx." (Panitch, "Dependency and Class", pp. 11-12).

[38] See Anthony Sampson, *The Seven Sisters: The 100-year battle for the world's oil supply* (Toronto: Bantam Books, 1991).
[39] Cy Gonick, *The Great Economic Debate: Failed Economics and a Future for Canada* (Toronto: James Lorimer, 1987), p. 245.