Economic Crises and the Evolution of Dispossession and Repossession in Canada

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Abstract: Harvey’s (2003) theory of accumulation by dispossession (a modern-day enclosure of the commons) provides an insightful way of understanding how the capitalist state helps to smooth out the crisis-prone tendencies of the capitalist system. Yet how exactly this theoretical construct applies empirically to the Canadian case remains under-examined. This paper seeks to help fill in the gaps and argues that while this theoretical construct is a useful tool of analysis, it is nevertheless incomplete. A serious economic crisis could urge on dispossession, or it could equally produce what can be termed ‘repossession’ (e.g., expropriation, the development of a welfare state, the socialization of private sector debt, etc.). This dialectic has tended to present itself in a chronological fashion (e.g., the broad shift from the Keynesian era to the neoliberal era) but the twin processes of repossession and dispossession can also co-exist in time. Today we are witnessing an overlapping of the two as the response to the recent/ongoing crisis continues to evolve. More than merely a technocratic policy concern, this oscillation engenders fundamental shifts in the distribution of assets (property rights), power (social relations), authority (decision-making or influence), and control (the ability to purposefully direct operations). The purpose of this paper is to tease out how this has occurred historically in order to better understand how it continues today in Canada.

Introduction

The recent economic crisis (beginning in late 2007) deeply affected financial and banking sectors and later the ‘real’ economy as well. This prompted a series of high cost, unprecedented policy maneuvers (at least for the neoliberal era) aimed at stemming losses and promoting recovery. Governments around the world have since committed to, or spent, trillions of dollars in loans, asset purchases, guarantees, and direct spending on private sector bailouts related to the crisis (e.g., banking and auto sectors) (IMF 2008). Some consider interventions of this sort to be akin to nationalization (e.g., Loxley 2009, 70; Rasmus 2009), setting the recent reaction apart from the familiar neoliberal policy of bailing out investors after financial crises without taking over private assets (Loxley 1998). However, despite the similarity that exists between recent examples of nationalization and government appropriation of private assets in previous eras, nationalization today was always intended to be temporary (and within a few short years many assets were returned to the private sector), unlike the typically long term ambitions associated with Crown corporation creation, for example.

In total, the US Trouble Asset Relief Program, set up to purchase assets and equity from financial institutions, committed roughly US$90 billion of taxpayer money (Bansal 2010). The US government also nationalized Fannie May and Freddie Mac which held over half of all US mortgages, spending US$225 billion in the process (Loxley 2009, 70). The big three auto manufacturers (GM, Ford, Chrysler) were also bailed out by the US taxpayer, receiving US$17.4
billion in emergency loans in 2009. In return the government took a 61 percent stake in GM (Kim and Lawder 2010). Similarly, owing to the tightly integrated nature of the North American auto industry, Canada spent some C$10.5 billion on its share of the bailout (Macleod 2009) and came to own an 18 percent stake in GM. This stake is intended to be temporary as the terms of the agreement commit the federal government to selling at least 5 percent of its shares annually, 30 percent within three years, and 65 percent within six years (Van Alphen and Ferguson 2010), reducing the ability to maximize taxpayers’ investment. Other commitments to capital include the 2009 Budget decision to spend C$70 billion to buy up shaky mortgages from the country’s largest banks (via the Canadian Mortgage and Housing Corporation), and the establishment of a C$200 billion fund, called the Emergency Financing Framework, to support these banks should they need to borrow money. Under the Montreal Accord, originally a private sector initiative that soon proved to require government assistance, the federal and provincial governments (Ontario, Quebec, Alberta) stepped in to underwrite C$32 billion worth of short term asset-backed notes (Loxley 2009, 71). Keynesian-style economic stimulus packages (typically lasting from 2009-10/11) were also widely adopted across the OECD (see McBride and Whiteside 2011, chapter 1).

An initial impression might suggest that these buyouts, bailouts, guarantees, and other state-funded commitments to rescue capital from its crisis are at odds with trends exhibited during the neoliberal era. For nearly thirty years, the neoliberal political project has been better known for its efforts to free capital from as many barriers to accumulation as possible, state-imposed asset nationalization and economic stimulus activities being consigned to the dustbin of history – the Keynesian era. Yet there is a common element to these policy responses which links what would otherwise appear to be diametrically opposed processes – nationalization and privatization. Here we will identify this common element, suggesting that if we better understand how and why nationalization is initiated in the first place, it is easier to see how it is linked to privatization later. Thus the recent support offered to leading capitalist sectors remains similar to the pattern that emerged in reaction to earlier crises, even if the specific policies used in these support efforts may be quite different.

As has been the subject of much debate and discussion in the political economy literature for some time now, the state in capitalist society plays the important role of maintaining, monitoring, and restoring equilibrium given that capitalism is inherently crisis-prone (see Aronowitz and Bratsis 2002). David Harvey (2003) has suggested that ‘accumulation by dispossession’ is one way to help make this happen. With dispossession as privatization (which Harvey considers to be its prime expression, though not its only form), we see that the state can assist with economic recovery by opening up new spaces for capital accumulation through asset sales, regulatory changes, partnerships with the private sector, and contracting-out government services to for-profit companies. This explanation describes the Canadian experience from the mid-1980s through to today given the waves of privatization experienced over the neoliberal period. However, since dispossession as privatization is about opening up spaces, it is unable to account for why the state may close off spaces in reaction to crises, like we see today with the nationalization that occurred and in earlier periods in the form of Crown corporation initiatives. This is, of course, no fault of the theory given that it is not intending to explain nationalization dynamics, but here it is argued that by adding the concept of ‘repossession’, and unpacking what ‘possession’ itself entails, it will help to round out our understanding of the crisis policy reactions of the capitalist state. Both dispossession and repossession are prime expressions of the
necessity, power, and role of the capitalist state, as identified in earlier debates about the role of the state in capitalist society (e.g., see Albo and Jenson 1989).

Repossession, or state possession for the purposes of assisting private accumulation in order to dampen economic turbulence, should be thought of as the counterpart to dispossession, not its rival given that both are ultimately aimed at supporting capital. The most obvious manifestation of repossession in Canada was the creation and proliferation of Crown corporations in the early twentieth century. Commercially-oriented Crown corporations, those that were later the targets of dispossession in the 1980s and beyond, were most often the product of economic crises (small and large) which produced bankruptcies amongst the private companies that occupied a particular sector, or due to the inability or unwillingness of capitalists to enter that sector for various reasons (e.g., lack of profitability, high risk, desire to have the state socialize the costs of providing that good or service).

In Canada both dispossession and repossession have been used at various times, regardless of which trend was dominant during the given historical era (i.e., during the Keynesian era dispossession occurs, during the neoliberal era repossession occurs). As a result, these processes cannot be neatly separate in time. The most important difference between the two emerges when we breakdown the concept of ‘possession’. Here it is argued that possession is marked by the following components: assets (property rights), power (social relations), authority (decision-making or influence), and control (the ability to purposefully direct operations), and the features of each vary significantly according to whether it is dispossession or repossession that is examined. However, aside from the obvious fact that state possession has the potential to be more democratic, a case-by-case analysis is needed since Crown corporations, though prime examples of repossession, often contain elements that closely resemble more commodified forms of possession found in the private sector. Also, with public-private partnerships, a leading example of dispossession in Canada today, many of these elements of possession are shared between the two partners. Thus a nuanced approach is needed.

Despite what later maturation of the relevant sector may have produced, Crown corporations were usually not initiated in order to crowd out private investment, but instead created to support production and accumulation in other important areas of the economy. Salient examples of this, which will be discussed in greater detail later, are: Ontario Hydro, Canadian National Railways (CNR), and Air Canada. These companies have, respectively, provided low cost, reliable hydro electric power for manufacturing; linked, at taxpayer expense, natural resource producing areas to manufacturing centres and export ports across this vast country; and provided speedy, reliable, and low cost transcontinental transportation for freight, mail, and passengers, connecting remote and urban areas alike. With Ontario Hydro, industrialists pushed for provincial government provision of cheap hydroelectric power; with CNR the federal government nationalized assets only after a string of private railways went bankrupt (following many decades of corporate welfare); and with Air Canada private investors were first unable to raise the necessary capital, and then were unwilling to participate in a proposed joint venture prior to the establishment of the Crown corporation.

The situation today, though in many ways unique, is similar to these earlier examples of repossession given that the state has once more stepped in where there was a (real or perceived) need to provide for stability and assist with future capital accumulation by spreading out the costs of the crisis so that society as a whole bears the burden rather than capital alone. Thus a prime difference between the two eras is not that the state socialized debt and rescued troubled assets, but the time period allotted to repossession. Within the Keynesian era the intended time
period was much longer, today in the neoliberal era it is much shorter given the ideological aversion to state ownership and the dominance of dispossession as a way of creating new spaces for capital accumulation (as quoted in McNally 2009, recent initiatives were often even referred to as ‘pre-privatization’).

These themes will be explored here in a number of ways. First, an elaboration of Harvey’s notion of accumulation by dispossession will be provided. Second, the elements of, and the interconnection between, dispossession and repossession will be examined. Finally, since repossession is in need of greater scrutiny than dispossession, the circumstances that led to the creation of several Crown corporations will be discussed as a way of investigating how repossession manifested historically in Canada. Ultimately this discussion aims to contribute to a wider theoretical and historically-situated understanding of the policy reaction to the most recent capitalist crisis by suggesting ways that it is linked to initiatives throughout the twentieth century.

**Accumulation by Dispossession**

Accumulation by dispossession, or profit-making “based on predation, fraud, and violence” (Harvey 2003, 144) is reminiscent of Marx’s concept of primitive accumulation which describes how capitalist markets were initially established through coercive state policies (e.g., the enclosures movement in England). Harvey builds on Marx’s description by recognizing that processes akin to earlier forms of theft and violence were not left behind in some pre- or proto-capitalist past but are continually used to create new markets. Thus accumulation by dispossession is a term which denotes a particular form of market expansion, namely when it is achieved by incorporating into the realm of private accumulation that which has come to exist ‘outside’ of these circuits of capital. Through this predatory mechanism, new investment and profit-making opportunities are created.

While processes of accumulation by dispossession are certainly not unique to the contemporary era, they have gained prominence with the rise of global neoliberalism. A key distinguishing feature of the neoliberal era (roughly 1980-present) is its emphasis on market-let economic and social restructuring (Jessop 2002, 461), calling forth the emergence of multiple forms of privatization over the past thirty years. Privatization is a leading form of accumulation by dispossession given that this policy seeks to create the opportunity for greater capital accumulation through the invention of markets within what was previously the realm of the state (Harvey 2003, 145-148). The state therefore helps to create the conditions necessary for future capitalist expansion by opening up areas that were once held in the name of the citizenry as state or public property (in democratic systems, at least). For this reason, Harvey’s (2003) notion of accumulation by dispossession can be considered a sine qua non of the neoliberal era.

Despite its merits, this theoretical construct has also generated its share of controversy, the most common critique being that it is too expansive and/or not precise enough (e.g., Brenner 2006, 100-101; Fine 2006, 145; Ashman and Callinicos 2006, 119). The notion that it tries to take on too much has its merits, as it attempts to conceptually wrap up what Brenner (2006, 100) calls “a virtual grab bag of processes” encompassing, amongst other things: the concentration of capital, transfers of assets amongst capitalists, the intensification of labour exploitation, and the modern day enclosure of the commons (privatization). For our purposes, given that the focus here is strictly on the dynamics of privatization, this critique need not be further explored. The
exception to this being the insights provided by Ashman and Callinicos (2006) given that they specifically address the issue of privatization as accumulation by dispossession.

These authors suggest that the privatization process must be broken down, as it is in fact an amalgam of several different forms, which they label: commodification, recommodification, and restructuring (ibid, 120). Commodification is “pure expropriation” by capital as it involves creating assets that were not previously commodities; recommodification refers to when a commodity that had been previously been taken over by the state (and thus ‘decommodified’ to a certain extent), is converted back into a commodity at a later date; and restructuring involves public sector reform, allowing for greater private provision of state services (e.g., public-private partnerships and contracting-out) (ibid, 120-123). These insights are important as they indicate the complex nature of privatization – it is not a homogenous process, but instead can involve several different policies and procedures. It is therefore important to align theory with actual instances of state policy. Do so requires first being clear with what dispossession as privatization is, what its key features are, and why it occurs.

**Dispossession**

Harvey lays out the elements of dispossession in *The New Imperialism* (2003) when he writes that it involves profit-making “based on predation, fraud, and violence” (144); its features include commodification and privatization (of land, labour power, etc.) which convert common, collective, or state property rights into private property rights (ibid, 145); and in so doing this process “open[s] up vast fields for overaccumulated capital to seize upon” and releases assets at low cost to be turned into profitable use by overaccumulated\(^1\) capital (ibid, 149). Crises are therefore resolved at least in part through accumulation by dispossession.\(^2\)

This description of dispossession corresponds quite well to the privatization initiatives of the Canadian federal and provincial governments over the past thirty years. Prime examples of federal privatization initiatives, ranked according to sales proceeds, are: CNR (1995, $2.1 billion); Petro-Canada (1991, $1.7 billion); NavCanada (1996, $1.5 billion); and Air Canada (1988, $474 million) (McBride 2005, 103). And provincially: Alberta Government Telephones (1990, $1.7 billion); Manitoba Telephone Systems (1996, $860 million); Cameco (1991, $855 million); and Nova Scotia Power Corporation (1992, $816 million) (ibid, 104). Once the most potentially profitable Crown corporations were sold off, privatization initiatives switched from overt asset sales to those that have been labeled ‘privatization by stealth’ (CUPE 2003). Public-private partnerships (P3s) and contracting-out government services have since become the premier forms of privatization in areas that are potentially unprofitable or too politically sensitive to privatize (e.g., building, financing, delivering and operating, including providing support services for, infrastructure projects like hospitals, highways, water treatment facilities, and schools).

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\(^1\) Overaccumulation refers to “condition[s] of surplus capital” represented by a “glut of commodities on the market, idle productive capacity, and/or surpluses of money capital lacking outlets for productive and profitable investment” (Harvey 2003b, 64).

\(^2\) Although Arrighi et al. (2010, 411) argue that over the long run accumulation by dispossession “generally undermines the conditions for successful development,” and Harvey (2003, 154-6) too says that it can end up disrupting or destroying paths to expanded reproduction.
Dispossession and repossession

In light of the recent crisis-related string of state/taxpayer funded bailouts, buyouts, and guarantees, it is worth investigating the extent to which these policies have undermined the ability of dispossession to act as a descriptor of contemporary events. The argument put forward here is that the empirical record in Canada demonstrates the usefulness of the concept but with the important qualifier that we must also add the notion of ‘repossession’ in order to better understand the dynamics of dispossession, restructuring and policy change that follow serious economic crises.

The concept of ‘repossession’ used here differs from how it is used elsewhere. Most often this word refers to one of two things. Usually it is employed in a familiar fashion, referring to when a financial institution reclaims or takes back an object that was used as collateral (e.g., Desai and Pithouse 2004). Kloppenburg (2010), however, uses this term in a novel way. He defines repossession as “the actual recovery or reacquisition of what has been lost, and even the proactive creation of new, commons-like spaces in which more just and sustainable forms of social production might be established and elaborated” (Kloppenburg 2010, 368). Despite the potential merits of this definition, it differs in important ways from how it is used here. The form of repossession discussed here need not be more just or sustainable than dispossession (although historically this may have been the case), nor does it necessarily create more commons-like spaces. Instead dispossession and repossession are thought of here as being separate but interrelated processes, and not diametrically opposed as is implied in the definition above.

The idea advanced here is that if dispossession eases economic crises by opening up sectors or freeing up assets that were previously held by the state, then repossession can be thought of as a way of supporting private accumulation by creating new assets or by pulling existing devalued assets out of circulation (or backstopping the further devaluation of troubled assets) once an economic crisis hits. This supports private accumulation by spreading out the costs of a crisis so that the whole of society absorbs the blow, rather than allowing capital alone to assume this cost (i.e., socializing the debt). There are other advantages to repossession that extend beyond this (for instance, the social objectives of Crown corporations), but these do not cancel out the benefits experienced by capital. In policy form, dispossession manifests as the sale of state owned assets, partnerships with the for-profit private sector, and contracting-out; conversely, repossession manifests as the creation of Crown corporations, asset nationalization by the state, and socializing private debt through state/taxpayer funded bailouts. The commercialization of Crown corporations rests on a continuum between the two.

To a certain extent, as Ashman and Callinicos (2006) mention with respect to recommodification, repossession is necessary for later dispossession. However they are actually better thought of as two sides of the same coin. Not only do these processes work towards the same goal (stabilizing and resolving crises, and ultimately restoring and/or promoting private accumulation) but they also cannot be neatly separated in time. Even though repossession became the dominant trend during the Keynesian era, and dispossession in the neoliberal era, a nuanced perspective is needed as they have often operated concurrently. Furthermore, many Crown corporations have in the past been run by capitalists, were created to engage in joint ventures with private investors, or were sold when no longer needed (e.g., after World War II). This makes sense of the (temporary) repossession that occurred in the late 2000s which took place at the same time as dispossession in other sectors (e.g., the continual establishment of P3s
throughout the Great Recession, even in the face of serious trouble with the global financial markets drawn on to finance these projects).

In order to understand the complex nature of dispossession and reposssession (as privatization and nationalization) we need to look at the root term: ‘possession’. More than merely semantics, transformations in property relations can hold significant consequences. As Macpherson (1978, 7) reminds us, property is a system of rights and a political relation between persons, and thus changes in the possession of property cannot be conceived of simply new owners taking over a ‘thing’ but rather it implies a restructuring of social relations.

**Possession**

Possession, it could be argued, entails at least four different, yet interrelated, components: assets (property rights), power (social relations), authority (decision-making or influence), and control (the ability to purposefully direct operations). In some instances of privatization, there is no clear separation of these four components. For example, with full-scale privatization, where all state owned assets in a public corporation are sold to private investors, the new private owners of the property obtain exclusive property rights, and hold exclusive authority and power over the privatized corporation. Some elements of control may be retained by the state, and thus shared with investors, depending on the regulatory environment (e.g., laws regulating labour and the environment).

When it comes to privatization in the form of P3s, the situation is more complicated and these four categories of possession can be quite distinct. With P3s, power, authority and control are shared between public and private partners in various ways. For example, with the Abbotsford Regional Hospital and Cancer Care Centre P3 in BC, Access Health Abbotsford (the private partner) holds a 30 year lease on the facility and is responsible for design, construction, finance, maintenance, and management and operation of the hospital (see Partnerships BC 2005). Responsibility for the clinical functionality of the design rests solely with the Fraser Health Authority and Provincial Health Services Authority (the public partner). Responsibility for relief efforts (e.g., earthquake or flood) and equipment procurement and installment are shared between the two partners. Thus with this P3, as is often the case, the private partner obtains greater power, authority, and control with respect to the various project elements.

The issue of asset ownership is murkier. On the one hand, Partnerships BC (2005, 18), like most P3 proponents, claims that asset ownership remains with the public partner. Yet given that a lease “is not a thing but rights to the use of a thing for a limited period of time on certain conditions” (Macpherson 1978, 7) one could reasonably argue that rights to the newly created assets are actually held by the private partner for the duration of the project agreement (in this case 30 years). This is particularly alarming given that P3s are now proliferating in what is ostensibly the public health care sector.

In terms of how the components of possession relate to Crown corporations, in some respects they rest closer to the dispossession end of the spectrum even though they are not owned by private investors. This is because the creation of a Crown corporation often represents efforts to seek an arm’s length alternative to traditional executive control and its departmental structures within the public sector. While still performing a public function, in the early years of Crown corporation proliferation, it was common to suggest that an advantage of the corporate form was its “greater detachment from politics and from political influence” (Ashley and Smails 1965). In Canada they were often designed to have a high degree of autonomy from the democratic
political process, replacing bureaucratic controls with budgetary and personnel practices reflecting those in the private sector, and allowed for capitalists to be appointed to their boards of directors (Gracey 1977, 59). Furthermore, though state property should be distinguished from private property (since private property is based on the rights of individuals to exclude others) it also has to be distinguished from common property (since this accords individuals the right to not be excluded) (see Macpherson 1978, 3-5). Unlike public parks or city streets, the services offered by a Crown corporation are not freely available for all, and thus the individual citizen can be/is excluded from rights related to these assets on a regular basis (ibid).

As a result, even though assets and control are both held by the state, internal authority is easily shared with private actors, and the internal (e.g., labour relations) and external (e.g., sales of services) social relations of power engendered through their operations can often mirror more commodified corporate forms. In Canada the situation is complicated by the social objectives that have often played an important role in the creation and operation of Crown corporations. Examples of these social objectives include: selling services at or below cost, providing relatively high wages, servicing rural locations where access to alternatives is low or non-existent, and responsibility for funding other important social programs. They also spread out the costs of social reproduction, which removes burdens placed on the unpaid labour of women.³

Thus the most obvious form of repossession in Canada – the establishment of Crown corporations – serves diverse interests. However, as we are interested here in uncovering how and why the state occupies, rather than opens up, spaces, it becomes necessary to examine in greater detail the relationship that Crown corporations have to capital in particular. For important commercially-oriented Crown corporations like Ontario Hydro, CNR, or Air Canada, we see that repossession occurred only after efforts to involve or allow for private provision became impossible. In this next section we will turn to a general overview of these processes, ending with a more detailed account of CNR and Air Canada in particular.

Crown Corporations

The history of Crown corporations in Canada

Canada has an important tradition of using state involvement in the economy to guide development. This can be traced back to several factors, including: a lack of internal linkages, the need to integrate distinct colonial economies into a national economy after Confederation, as a way of forging a national identity, and in attempt to overcome domination by American entrepreneurs and minimize economic dependency (see Clarkson 2002; Eden and Molot 1993; Innis 1995; Laxer 1991; Levitt 1970; Panitch 1991; Watkins 1963). Factors contributing to the creation of Crown corporations tend to reflect these considerations as well (see Gordon 1981; Hardin 1989; Taylor 1991; Tupper and Doern 1981). Taylor sums this up when he writes that commercially-oriented Crown corporations were a means by which government could intervene in the economy “to bind the nation (together), to develop and market its resources, and to retain some measure of the profits and rents” (1991, 97).

It is telling that the first Crown corporation in Canada, established in 1821 when the government of Lower Canada built and operated the Lachine Canal, was aimed at assisting the private sector (in this case it was the Hudson’s Bay Company and its fur trade) (Gordon 1981, 7). Later Crown corporations followed suit, and “were for the most part created in the first place to

³ See Bezanson and Luxton 2006 for further discussion of social reproduction, especially vis-à-vis privatization.
aid in capital accumulation” by reducing costs to the private sector through government provision of infrastructure (Teeple 2000, 95). Perhaps for this reason, political parties of all stripes have been involved in their creation and development, there being “little ideological resistance to state ownership of assets and operation of enterprises” prior to the 1970s (Taylor 1991, 98).

Ontario Hydro provides an interesting example of how private sector interests have in the past, much like the auto bailouts and nationalization of banking and financial institutions today, pushed for repossession. The creation of Ontario Hydro in 1906 (then known as the Hydro-Electric Power Commission of Ontario) can be traced back to the 1890s when private power companies holding monopoly positions in Ontario municipalities began engaging in price discrimination and contract violation, even exhibiting attitudes of “defiance” when the courts became involved (Vining 1981, 155). At the 1903 annual conference of Canadian Municipalities these municipalities, frustrated with the situation, teamed up with manufacturers who were simultaneously demanding “power at cost” as a way of subsidizing their activities, and adopted a resolution asking that the feasibility of a province-wide public utility be examined by the province (Gordon 1981, 9; Vining 1981, 155). Cheap power for industrialists, not for the working class or population at large, underpinned this alliance. Ontario Hydro was created three years later, and by the 1920s it had established a position of dominance in the province.

During the Second World War Crown corporations were relied on heavily for national security, to aid the war effort, and to coordinate private sector activities (Taylor 1991, 99). Joint ventures with the private sector were also common at that time. After the war, many of these Crown corporations were terminated or privatized. Those that were terminated tended to be administrative agencies that were used to coordinate private sector activities (regulating or directing activities related to the war). These Crown corporations had often been controlled by business executives who then reassumed their private sector role after the war (e.g., see Rohmer 1978 on E.P. Taylor and his role as President of the Crown corporation War Supplies Ltd.). Those that were privatized – a prime example of dispossession in the Keynesian era – were most often involved in the direct production of goods used in the war effort, but were not needed during peacetime since private corporations were willing and able to take up the task. Those that were retained tended to occupy sectors relevant to national security, such as weapons manufacture or uranium refining (Taylor 1991, 99). By 1951 there were only 56 federal Crown corporations left.

Over the next three decades this increased to 464 (which includes subsidiaries and corporations that were not commercially-oriented) (ibid, 100). Familiar names at the federal level included CNR (created in 1917), Air Canada (1937, known then as Trans-Canada Airlines), and Petro-Canada (1975). And at the provincial level, the public sector telecommunications companies (e.g., Manitoba Telephone System, 1908) and hydro utilities (e.g., Ontario Hydro, 1906; BC Hydro, 1961 – both of which remain public, unlike the previous examples, although many aspects of their operations have been privatized, see Calvert 2007; Cohen 2003; Shaffer 2007 on BC Hydro).

These commercially-oriented entities represent government involvement in sectors that support private production. The public hydro utilities served to provide low cost, reliable electricity for manufacturing and to socialize research and development costs. Ontario Hydro, for example, became a world leader in nuclear power development and pioneered large-dam construction and high power long distance transmission (Hardin 1989, 102). In oil and gas, Petro-Canada was created at least in part to socialize the costs of risky and costly oil and gas
exploration in the high Arctic and off the East coast, and to partner in joint ventures with smaller
Canadian private sector oil and gas companies in order to build up the domestic market (Gordon
1981, 88). Government involvement in the development of transcontinental transportation links
(whether through CNR or Air Canada or through decades of financial and regulatory support for
the private sector) was aimed at linking natural resource extraction, manufacturing centres, and
export ports across Canada. Thus public sector investment in the transportation sector socialized
many costs associated with the circulation of capital across this vast country (see Harvey 2006
for a discussion of capital’s competitive struggle to accelerate turnover times in order to increase
profits). How the dynamics of repossession and dispossession played out in the case of CNR and
Air Canada will now be examined in greater detail.

**Canadian National Railways**

The onset of an economic depression in 1913 and a world war in 1914 effectively put a
halt to railway expansion by the private sector in Canada. Two of the three major private
railways in the country, Grand Trunk and Canadian Northern, were hit especially hard by the war
and economic crisis as they were heavily reliant on European bond markets which were now
closed (Gordon 1981, 56). With the exception of CP, since it had used equity capital to fund its
expansion, the private railways in Canada began to accumulate a significant amount of debt and
bankruptcy was imminent. The federal government was concerned with these developments for
a number of reasons, the threat that this posed to economic development and political integration
being central among them.

In 1916 the Drayton-Acworth Royal Commission was appointed by the government of
Sir Robert Borden to propose solutions to the situation. A year later it recommended that the
federal government should nationalize the bankrupt railways (Canadian Northern, Grand Trunk,
and its subsidiary Grand Trunk Pacific). However, the Commission suggested that the three
private bankrupt railways be “transferred by Act of Parliament to an independent Board of
Trustees (incorporated as a company)” in order to approximate a private corporation as much as
possible (Chodos 1973, 35). This recommendation for repossession was taken up in 1917
through the creation of a Crown corporation rather than allowing for direct departmental
management of the nationalized assets. Expressed clearly during the House of Commons
debates, as a Crown corporation CNR was to be as arm’s length from the political process as
possible in order to minimize government interference and ensure it would be run like a
commercial enterprise (Gordon 1981, 57; Stevenson 1981, 327).

Over the course of its existence as a Crown corporation, this earlier arm’s length
sentiment was eroded, and it was increasingly used to achieve social or political objectives at the
expense of its own profitability. This included charging below cost rates for transporting
western grain to BC ports and operating uneconomic rail lines, including passenger services
(Gordon 1981, 57). It also maintained high wage jobs and kept employment levels above market
dictates. This led to total losses of $700 million from 1950-1975 (ibid, 60).

These social objectives were later eliminated, and the path to dispossession initiated, with
the shift to a commercial orientation in 1975. In this year CNR was forced to operate on a profit
and loss basis, was cut off from automatic financing by the federal government, and its internal
organization was restructured and unprofitable services shed (e.g., VIA rail was divested, its
money losing passenger services line). Thus commercialization provided the restructuring and
rationale needed to later justify dispossession on the grounds that “the public policy objective of
owning a freight railway had disappeared” (Padova 2005). One other popular justification for the sale of CNR is based on the position (derived from neoclassical property rights theory) that public sector enterprises are less productive and less profitable than their private-sector equivalents (e.g., Boardman et al. 2009; Laurin and Bozec 2001). In part this was proven accurate given that the privatization of CNR could be labeled a “success” in terms of profitability, but this success has come at a very high cost in other ways. As a private corporation it has laid off a significant number of employees (e.g., more than 5,000 employees in its first three years), it abandoned all unprofitable track, and now has a poor track maintenance record (see CN 2005; CUPE 2005; Pederson 2005).

**Air Canada**

With the onset of the Great Depression in the 1930s and limited potential for profit given Canada’s vast geography and sparse population, there was very little private sector initiative in the airline industry prior to the postwar era. As such, Air Canada (named Trans-Canada Air (TCA) Lines until 1965) was created in 1937 under the leadership of CD Howe (Liberal Transport Minister) to serve the same purposes as the transcontinental railways: to link the nation, serve as a bulwark against American domination, and provide for economic development. A Canadian carrier capable of providing intercity and transcontinental passenger and mail service in particular was sorely needed as both were frequently forced to route through US hubs.

That a Crown corporation was chosen to deliver this service was never inevitable nor was it the result of a strong political desire for public ownership. In fact, as the Library of Parliament reports, “The government would have preferred a private sector corporation to provide the service but when none was forthcoming, it decided to create a Crown corporation and undertake the task itself” (1989, 1). This was not for lack of effort to engage the private sector, however.

First came the unsuccessful attempt to interest Canadian capitalists in establishing a transcontinental airline, but this effort flopped because “possible candidates did not think they could raise the capital required without major government support” (Gordon 1981, 67). Cabinet then proposed developing the Canadian airline as a joint venture involving the well-capitalized railroads: CNR, CP, and Canadian Airways of Winnipeg (in which CNR and CP each owned a 10% share). In exchange for covering the operating losses of the new enterprise, the Department of Transportation required representation on the board. This proposal was rejected by CP President Sir Edward Beatty on the grounds that, as he argued, CNR and the Cabinet board members represented the same interests, and thus the government would dominate decision-making (being able to appoint 5 of 9 directors) (Langford 1981, 254-55). After these talks broke down, the Liberal government introduced a bill into the House of Commons in March 1937 which established TCA as a subsidiary of CNR, but would have allowed private interests to purchase up to 49 percent of the 50,000 shares in TCA from CNR (Gordon 1981, 67). Negotiations between Cabinet and CP continued but ultimately CP did not purchase the shares (and neither did any other private investor) and thus TCA remained a Crown corporation.

Air Canada was never intended to be a profitable venture but instead would be used to pursue social objectives, including the development of a safe national and international airline, servicing non profitable routes and expanding services to areas without airline coverage, offering prices below cost, and promoting bilingualism and industrial development (Gordon 1981, 68; Langford 1981, 271). However, like with CNR, later commercialization signaled the beginning of the end for repossession. The Air Canada Act of 1978 significantly altered the relationship
between government and the airline, and prepared it for privatization ten years later. The airline was made to be more arm’s length, and was to be managed as a “sound business” and operate “in contemplation of profit” (Gordon 1981, 78). As a result, unprofitable routes were dropped. Regulatory protection was also eliminated and all domestic routes were assigned by an independent regulatory body rather than assigned by the government (Gordon 1981, 79).

Stripped of any social objectives, government financial support, and with the emergence of significant competition in the airline industry, dispossession occurred with ten years of commercialization. However, unlike in the case of CN, privatization has been a financial disaster for Air Canada. Despite slashing jobs, cutting unprofitable routes, and increasing fares after dispossession, Air Canada required bankruptcy protection in 2003 (CBC 2005). Further, privatization has yet to signify an end to public financial support, and in July 2009 the company received a C$250 million bailout from the federal government (New York Times 2009).

Concluding Remarks

Understanding the dynamics of dispossession helps to reveal the ways that the state acts to create new spaces for private accumulation, which can prove beneficial for capital after economic crises. However the state also acts to temper crises or support accumulation by (temporarily) occupying spaces that were once within the realm of the private sector, spreading out the costs of this support over the whole of society. This has been accomplished in a number ways in Canada, prime examples being the creation of Crown corporations that provide services at or below cost (e.g., electricity, rail and air transportation), or by socializing debt, bailing out bankrupt sectors/corporations, and backstopping troubled assets. The concept of ‘repossession’ is therefore a useful addition to our understanding of the role of the state in capitalist society as it captures these moments and illustrates the dichotomy that exists between these two varieties of state support for the system as a whole.

Further investigation into the historical and situation-specific manifestations of dispossession and repossession in Canada is certainly needed, as space restrictions here have permitted only the briefest examination of the more and obvious form this has taken – the establishment of Crown corporations in Canada. What CNR and Air Canada in particular have shown is that despite their differences, commercially-oriented Crown corporations are examples of repossession for reasons that are similar to the nationalization that occurred following the most recent crisis. This is indicated through patterns that have emerged over time: should bankruptcies associated with an economic crisis threaten key sectors or the ability of the private sector to provide key goods or services, or if there is an inability or unwillingness on the part of capital to occupy these sectors, state intervention in the form of repossession occurs. This intervention has taken various forms, including bailouts which nationalize assets in order to avoid larger failures within the sector or system as a whole. Prior to repossession, the Canadian state has often attempted to form joint ventures or provide capital with other incentives in an effort to avoid direct nationalization.

During the Keynesian period, repossession was a lengthy affair. The Crown corporations discussed here lasted for the better part of a century before privatization was deemed necessary. There have been a number of explanations for dispossession, and each has its merits. It is certainly true that in furtherance of its social objectives (which include various ways to support capital) a Crown corporation may end up taking on a high level of debt or maintain inefficient practices. However this only becomes a justification for privatization once these social
objectives are shed through commercialization and the neoliberal policy paradigm advocating dispossession takes hold. Perhaps the more interesting question is not why privatization occurred, but why highly indebted Crown corporations like Air Canada and CNR (stripped of social objectives for many years) were left in the public sector for as long into the neoliberal period as they were.

It is important to recognize that ‘repossession’ may be open to the same critique as is accumulation by dispossession: attempting to encapsulate too many processes and historical moments. This paper has been a first stab at identifying and explaining some of the more obvious elements of the process and more work needs to be done. It is also important to not overstate the novelty of this concept. The roles and responsibilities of the capitalist state are well debated and the idea that the state provides support for the economy as a whole is not a new concept. What repossession attempts to identify, however, is the link that exists between what might initially appear to be polar opposites – instances of privatization and nationalization. It also serves as a reminder that dispossession and repossession have occurred throughout the twentieth century and thus the recent revival of Keynesian-style stimulus and nationalization do not indicate a rupture in neoliberal rule just as the privatization of many Crown corporations after the Second World War did not indicate an end to Keynesian rule. This helps to answer the question posed by Albo et al. with respect to the recent crisis: “has this crisis actually marked a turning point in the balance of class power and the organization of the state?” (2010, 9).

Shifts in possession are never automatic or agency-free, but rather are determined by and through class struggle, partisan politics, international pressures, and the historically- and situationally-specific nature of each crisis. By adding the concept of ‘repossession’ to our analytical toolkit it becomes easier to explain how the dynamics of state support for capital manifest, and what the implications are for class power and the organization of the state. As of late, the forms of repossession that have emerged in the twenty-first century are those which are temporary and of direct benefit to capital without the associated social objectives and benefits to labour that accompanied the development of Crown corporations in Canada.
References


