



Book Review: Silent Surrender, by Kari Levitt

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Book Review

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SILENT SURRENDER, BY KARI LEVITT,

The MacMillan Company of Canada Limited. 1970. Pp. xxxi, 185 (\$10.00)

Kari Levitt, who is an Associate Professor of Economics at McGill University, has turned out a book to be added to the growing amount of literature in Canada dealing with that very controversial and important subject — Foreign Investment and the Operation of the Multinational Corporation in Canada.

As the author readily admits in the book, it is an argument that she is presenting and she has channelled her facts and her views to support the argument that the country's control over its economy has been easily surrendered. Unfortunately, in doing so, she has avoided attempting to provide an objective or balanced discussion of the facts and views for and against foreign investment. Professor Melville Watkins, who has written the Preface to the book, commends her stand and states that "she does not play the all-too-common academic game of writing only for her peers and of pretending detachment and neutrality" (cited at IX).

Professor Levitt indicates in her Introduction to the book, that it originated from a number of background papers prepared by her for the New Democratic Party on the topic of foreign ownership in Canada and that her argument could bear some similarities to the Watkins Report.

In view of the great amount of public discussion on the topic of foreign control, one finds many of the points presented in the book have already been brought forward and discussed by a number of academics and politicians over the past few years; however, she has presented an emotional review of the facts and views supporting her theories.

In the opening chapters of the book, Professor Levitt leads us through her review of a quick economic history of Canada and probes the area of whether Canada's trade outlook should be Continental or National. She argues for a strong Nationalistic outlook and for a hard stand against the inroads of the multinational corporation. In her view, "a further Continental integration of industries that are, for the most part, branch plants and subsidiaries of American corporations, accelerates the erosion of freedom of choice in economic policy" (cited at p. 34). She believes that "in the contemporary world, in which innovation in technology and in social organization is a critical factor in the capacity of a country to utilize her resources and the ability to decide what will be produced and to whom it will be sold, the branch plant nature of Canada's economy is likely in the not-so-long run to involve a serious loss in the material quality of living" in Canada (at p. 33).

The author believes that foreign subsidiaries do not provide any unique Canadian methods or solutions in the operations of the foreign subsidiaries in Canada. Instead she is positive that the Canadian entrepreneurs of yesterday are the coupon-clippers and vice-presidents of branch plants today, and that they have quite literally sold out the country.

She calls on the Government to make massive and imaginative intervention to re-shape the structure of the Canadian economy to accord with the human needs of our time.

The author continues to review the economic history of Canada in Chapter 3, starting from the early days of the fur trade in Canada. She cites the views of the historian and CCF Founding Father — Frank Underhill — that at the time of Confederation, the functioning Nationalism in Canada was based on the triple alliance of the Federal Government, the Conservative Party and big business interests (at 51). In her view the country reached a maximum of independence during the years when Britain could provide political shelter and portfolio capital to support a Canadian strategy of “defensive expansion” against absorption by the United States. However, the design of the traditional “national party” cracked when Britain lost its pre-eminence during the First World War and the United States rose to the status of a world power. At the same time there came a regional fragmentation of the political system, dating from the break-up of the international economy in the inter-war period and the rise of a new mercantilism of the United States-based corporations, which disintegrated the older links of the Canadian national economy and undermined the control of the federal government over the economic life of the country. At the same time, provinces who had resource development in their jurisdiction, favoured maximum extraction in the shortest possible time and on the longest possible scale, without particular concern for the nationality of the interest to whom these resources were sold.

The author concludes that “the triple alliance of Federal Government, Conservative Party and Canadian big business which gave birth to the Canadian nation state and secured its economic and political viability in a triumph of “history over geography” and “politics over economics” has conclusively disintegrated.

The continentalist tide has been running strong. It has been permissively assisted by successful administrations who opened the flood gates to massive American direct investment in the postwar period. Never has a country's control over the “commanding heights” of its economy and over the policy levers of its fiscal and monetary controls been surrendered so swiftly, silently and hospitably” (at 56).

The author sarcastically states that Sir Wilfrid Laurier declared that the twentieth century belongs to Canada and that it appears, by the middle of the century, that Canada belongs to the United States. In her view, the instrument by which the Canadian economy has been recolonised was by direct investment by the United States, and she sets out a number of charts and tables showing how American and other foreign investment has grown in Canada. The oft-referred to argument that a significant portion of foreign assets in Canada has been financed from Canadian savings is discussed by the author.

The operations of the modern multinational corporation in society are attacked by Professor Levitt and she bluntly states “that such a corporation has a vested interest in the destruction of cultural differences and in a homogenized way of life the world over”. (at 76). To her, the executives of branch plants are managers, not entrepreneurs, who do not form the policy but only administer it.

The parent-subsidiary relationship is examined with special attention given to such topics as corporate resistance to minority shareholders, the profitability of Canadian companies and the need for local participation in multinational corporations.

In Chapter 6, the growth of the American-owned multinational corporation is described. It is indicated 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.

The author decries the fact that the resources the international companies mobilize in the hinterlands are not confined to financial capital in the sense of command over purchasing power, but to an increasing degree they are drawing the technical and managerial resources of hinterland countries into their private domains. In her view, the personnel of these firms then become, in effect, citizens of private corporate empires.

The author points out that the international corporations would find it profitable to impose on the world an internationalism which would break down all possible cultural, institutional and political barriers to their unlimited expansion. She refers to Richard Barber's statement "that the international corporations are colonizers of the twentieth century and the chief colonizers, because of their vast wealth and technological superiority, will be the large American companies. Their armies consist not of men bearing arms but of engineers and executives equipped with vast amounts of capital and organizational know-how. Their empires are their factories and their sales offices. The only thing they usually lack is a flag." (at 98).

Professor Levitt repeatedly states the point that the interests of the multinational corporation are in conflict with the political sovereignty of the nation state. Unfortunately, she avoids any attempt to determine any benefits that the international corporation has brought and to give any consideration to the ramifications that might occur to the country's economy and standard of living in the event strict limitations were placed on the operations of the international company and on foreign investment. On the contrary, she spurns such common ideas as the concept that countries have benefited from foreign investment and outside entrepreneurs and that modern enterprise will impart managerial and technical skills to the population and local entrepreneurship will be stimulated. She believes that branch plant development results in the erosion of local enterprises as local firms are bought out and potential local entrepreneurs become salaried employees of the multinational corporation.

She states that the enterprises which remain locally owned tend to be marginal in the sense they are small and inefficient and operate in industries which do not lend themselves to corporate organization. This is difficult to appreciate in view of the existence of companies owned by such Canadian businessmen as the Eatons, K. C. Irving, R.A. Brown, the Steinbergs, Frank McMahon, the Bronfmans, Roy Thompson, the Bombardier family, Charles Rathgeb, and many others. Although she does later limit this statement by excepting publicly owned or controlled enterprises and firms which have established early technological needs, she avoids stating the obvious fact that large Canadian-owned companies have had to go public in order to finance their growth.

In that chapter, the author continues her criticism by referring to statements by different leading U.S. politicians, who admit that the interests of multinational companies are in conflict with national interests. She believes that resistance to the importation of metropolitan values and consumption patterns, and barriers to the absorption of a country's intellectual, scientific and managerial resources into the world of the multinational corporation, force the country to develop its own resources of entrepreneurship.

To her, indigenous entrepreneurs can "learn by doing". She believes that direct investment only produces growth but not development. (at 107).

While Professor Levitt calls for controls on the multinational corporation she unrealistically proceeds to hold those companies responsible for the ills of present society. She states that "if they are not brought under control, they will literally pollute the world with the 'fall-out from unrestrained technological progress'". (at 112).

Notwithstanding the emotional nature of her argument, the reader realizes that the Federal and the Provincial Governments must study the benefits and disadvantages resulting from the operations of the multinational company and must provide for appropriate controls of that corporation and of foreign investment for the benefit of Canadian society.

In Chapter 7 the author proceeds to examine the parent and subsidiary relationship of the multinational corporation and points out the benefits accruing to the foreign parent by way of exports and the dependence built up by the subsidiary.

The bilateral agreements between the governments of the United States and Canada are criticized as being non-beneficial to Canada and as being a manifestation of increasing corporate and governmental integration between the two countries.

In the final chapter of the book, the author reviews the export position of Canada, particularly its high export of raw materials and high import of manufactured products. In her view this indicates a lack of technological advances in Canada in producing new products. She presents a good argument that research and development are lacking in Canada and should be strongly encouraged.

The author also states a strong case for the necessity of providing more investment opportunities in Canada for Canadians.

The reader finds the book lacks a proper balance in a review of such an important subject and that the author repeatedly commits the error of overstating her case. At one point she writes that "the refusal of the dominant English speaking community to recognize explicitly the national aspirations of Quebec is propelling the fragmentation of the country to the point of piecemeal absorption into the American empire". (at 151). While one can agree that the aspirations of Quebec have sent some shockwaves through the country, it is difficult to believe in view of the make up of the present Federal Government, that the Anglophiles are only at fault and that a confrontation with Quebec's aspirations is resulting in its absorption by the United States.

While the author presents many valid points, the book is limited by its very opinionated and politically orientated views and in its failure to present any constructive suggestions or solutions. At the same time it presents an emotional argument for nationalistic controls on the economy of the country.

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