1993

Awakening the leviathan: The politics of the BCNI and the Canadian state.

John Alexander. Lockwood

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Awakening the Leviathan:
The Politics of the BCNI & The
Canadian State

A Thesis
Submitted to the
Faculty of Graduate Studies and Research
through the Department of
Political Science in partial fulfilment
for the degree of Master of Arts at the
University of Windsor.

Windsor, Ontario, 1993
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Abstract

Awakening the Leviathan:
The Politics Of The BCNI & The Canadian State

by

John A. Lockwood

The Business Council on National Issues has been the subject of recent scrutiny provided by David Langille, Linda McQuaig, Maude Barlow. While emanating from diverse experiences, (the first-an academic, the second-a member of media and the latter claiming to represent the nationalist voice), their hypotheses are quite similar. That is, the Business Council wields extraordinary ability to influence the direction of Canadian macroeconomic strategy. Recent initiatives, such as bilateral free trade with the United States, competition policy reform and fiscal restraint are portrayed as the sole product of the BCNI influence. The Canadian state, in this regard, is presented as a convenient courier of the Council's desires. Containing all of the principal elements of dominant class analysis, this hypothesis is presented as the definitive means to comprehend the activities of the Business Council. This thesis challenges the confines of dominant class doctrine. By liberating the examination from a single theoretical foundation, a comprehensive depiction of the Business Council's activities is produced. Ultimately, this paper advances the hypothesis that the BCNI's impact on Canadian macroeconomic
strategy is best discerned through the interplay of statist,
political economic and dominant class forces.

Chapter One introduces the theoretical foundation employed in
the paper. Such political doctrines as pluralism, statism,
political economy and dominant class theory establish the means in
which to define the relationship between business and government in
in liberal democratic societies.

The Business Council remains an enigmatic entity. The recent
publications of Langille, Barlow and McQuaig have unspecifically
portrayed the BCNI as the monolithic representative of capital.
Chapter Two provides some insight into the leadership, organization
structure and membership profile of this organization.

Chapters Three, Four, and Five examine the impact of the BCNI
on Canadian macroeconomic environment. Recent economic ventures
such as free trade, competition policy reform and fiscal restraint
are used to discern the influence exercised by the Business Council
on National Issues.

Chapter Six makes some concluding remarks concerning the
utility of political hypotheses to comprehend the relationship
between the business community and the Canadian state.
Acknowledgements

I would like to take this opportunity to express my appreciation to those whose efforts contributed to the completion of this thesis.

To my thesis committee, Dr. Ronald Wagenberg, Professor Howard Pawley and Dr. Mageed Ragab, your wisdom, encouragement and criticism have enhanced the quality of my research.

Special thanks is also extended to Mr. Thomas d' Aquino, Mr. Sam Boutziouvis, the Honourable Mr. John Mc Dermid and the staff of the Business Council on National Issues. Your cooperation and enthusiasm for this project is duly recognized and appreciated.

Finally, to my family and friends, Sandra, Tanya, Elizabeth, Gary and Zack, I express my sincere gratitude for your patience and sacrifice.

Without the cooperation and encouragement of all of the above, this thesis may not have been possible. For this, I owe all of you a debt of gratitude.
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Chapter I

Theoretical Foundation
Chapter I: Theoretical Foundation

INTRODUCTION.

The Business Council on National Issues (BCNI) has been the subject of recent scrutiny by such political commentators as David Langille, Maude Barlow and Linda McQuaig. Quite unintentionally, this group has produced a predominant interpretation concerning the organization's relationship with the Canadian state. That is, the Business Council wields extraordinary influence concerning the direction of Canadian macroeconomic policy. Such recent BCNI initiatives regarding trade, competition policy reform and fiscal restraint have been incorporated onto the national economic agenda. In this regard, the state has been portrayed as a convenient courier of the Business Council's interests.

The hypothesis advanced by these authors, contains all of the principal elements of dominant class analysis. This doctrine conveys the perspective of omnipotent capitalist class. Such an approach however, demonstrates a propensity to exaggerate and perhaps misrepresent, the BCNI's capacity to influence the Canadian macroeconomic strategy. This thesis suggests that the Council's activities cannot be adequately discerned through the employment of the dominant class hypothesis. The examination that follows, utilizes an eclectic alliance of statist, political economy and dominant class analyses to comprehend the Council's impact on the Canada-U.S. trade relationship, the 1986 reforms to the Competition Act and government deficit and debt reduction. Essentially, this thesis serves two purposes. Most overtly, the examination focuses
upon the BCNI's success in directing Canadian fiscal strategy. While unquestionably influential, this depiction of the Business Council on National Issues contradicts the predominant interpretation of an omnipotent capitalist class and a servant state. Perhaps more subtly, the following discussion also comments on the utility of single political hypotheses, to discern the dynamics of business-government relations in Canada.

Prior to the commencement of this discussion, it is necessary to gain some perspective concerning the environment in which the Business Council interacts with the Canadian state. The theoretical hypotheses that follow will present dissimilar and conflicting interpretations of state's decision-making capacity in capitalist societies. The theoretical foundation, and chapters that follow navigate an ideological terrain that is both hostile and unrelenting. In essence, the reader will pass through an ideological gauntlet.

THEORETICAL FOUNDATION.

As a liberal democratic society, the Canadian state's relationship with groups such as the Business Council is governed by the principles of this political arrangement. It is not difficult to fathom the obstructions that interest groups would encounter in attempting to influence the decisions of a dictatorial or oligarchical state.¹ Contemporary liberal democracies are

grounded upon the principle of delegate authority. The large populations of modern democracies preclude mass participation in the decisions of the state. Concomitantly, citizens must delegate their interests to political representatives. Popular elections provide the forum in which citizens may select those individuals who best represent their interests. Similarly, regular elections also provide the vehicle by which to replace those individuals that have represented their constituents unsatisfactorily. Elected office secures the legitimate authority of the people to make policy decisions in the general interest of society. This tenet of liberal democracy is undermined when individuals or groups, beyond electoral reproach, assume a significant role in the determination of public policy outputs.

Each of the following political hypotheses addresses the issue of state decision-making capacity. Interpretations range from a state dominated by a group or class, to a government that executes its decisions independently of any particular faction.

The Elite Hypothesis.

The Elite Hypothesis suggests that political power is exercised by an impenetrable clique of state and group elites. One of the most renowned of elite theorists, is C. Wright Mills. In his book, The Power Elite, the author advanced the hypothesis that American political power was concentrated within a small cluster of military, corporate and state actors. Although Mills's work may appear to be an empirical confirmation of the existence of
a power elite, the author also provides a powerful condemnation of this exclusive class. He remarked that this faction was immoral irresponsible, and ignorant. Writing at the peak of the Cold War, Mills's analysis suggested that any serious attempt to preserve global peace required the removal of the corporate and military elite from political power. This should not infer that the author advocated a popular insurrection against the power elite. He believed that the average citizen possessed neither the inclination nor intellectual capacity to challenge this class. Mills advanced the hypothesis that there should be a union of political authority and knowledge within a democratic framework. For this purpose, he suggested that the power elite should be made more accountable to the intelligentsia. He stated,

Those who decide should be held responsible to those men and woman everywhere who are in any grievous way affected by decisions and defaults. But by whom should they be held responsible? That is the immediate problem of political power. In both the East and West today, the immediate answer is: By the intellectual community. Who else but intellectuals are capable of discerning the role in history of explicit history-making decisions?

In essence, his hypothesis suggested that democracy and peace could be preserved by providing conditions that made military, corporate and state authorities accountable to the intellectual elite.


\footnote{C. Wright Mills, \textit{The Causes of World War Three} (New York: Oxford University Press, 1956), pp.120-21.}

\footnote{Ibid., p.26.}
Attempts to apply Mills's theory beyond the territorial confines of the United States encountered some difficulty. It appeared the power elite may assume entirely different identities according to the environment in which it was applied. In John Porter's *The Vertical Mosaic*, the author advanced the hypothesis that the Canadian elite was exclusively selected from a network of political, corporate and ideological, i.e. (media, schools) institutions. He provided an impressive collection of statistical data to suggest that this confraternity of power was populated by an ethnic, social, religious and educated homogeneous class. Linkages between these groups were maintained by membership in commissions, directorships and informal social bonds such as residency, recreation club affiliations and education.1

With regard to its applicability to business-government relations, the most significant weakness of the elite hypothesis is its propensity to depict the power elite as a monolithic entity. The interests of the business community are presumed to be entirely consistent. In its general sense, this assertion is quite correct. Corporations have a vested interest maintaining the capitalist system, a low tax rate and public order. However, beyond these broad principles, regional, sectoral and competitive rivalries

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1 John Porter, *The Vertical Mosaic* (Toronto: University of Toronto Press, 1955), and Wallace Clement, *The Canadian Corporate Elite: An Economic Analysis of Economic Power* (Toronto: McClelland and Stewart Limited, 1975). In Clement's analysis, he asserted that Canadian corporate elite were disproportionately recruited from Anglo-Saxon ethnic origins, attended prestigious education facilities and maintained membership in one or more exclusive social clubs.
provide opportunities for factionalism and heated disputes within this class.

The Pluralist Hypothesis.

Pluralist doctrine is grounded upon a number of assumptions concerning the behaviour of the individual, the state and interest groups. The theory embraces both liberal democratic and competitive market principles. Unlike the elitist approach, pluralists contend that decision-making power is not exercised by a small group or class. Foremost among pluralist philosophers, is American political scientist, Robert Dahl.¹ His works entitled, *Modern Political Analysis* and *Who Governs?* have provided the foundation for modern pluralist analysis. In the latter publication, Dahl examined the impact of group interaction on the policy-making process in the city of New Haven, Connecticut. He suggested, that over the course of its development, the city had transcended from an oligarchy to a pluralist arrangement.² By the


² Robert Dahl, *Who Governs? Democracy and Power in an American City* (New Haven: Yale University Press, 1961), pp.11-84. Dahl suggested that the political history of New Haven may be separated into three distinguishable periods: 1784-1842, 1842-1900 and 1900 to the time of publication (1961). He asserted that during the first period, political office was the exclusive preserve of wealthy elite families (the patrician class). Gradually, their dominance was supplanted by a wealthy entrepreneurial business class, in the second period. Finally, Dahl observed that members of the lower middle and working classes had begun to successfully obtain political office by the
1900's, members of the working and lower middle classes had begun to breach the monopoly of political power possessed by the business and patriarchal elites. From this observation, the author concluded that class or group dominance was transitory. While such tools of political influence as wealth, education literacy and knowledge may be distributed unequally, Dahl asserted that few groups could control these resources indefinitely.¹

Dahl's pluralism suggests that the decisions of the state were a product of competing interest groups. Competition among rival groups would produce the victorious and the defeated. The government's role, in this arrangement, was to respond to dominant interests. Ideally, those groups most disaffected by the policy decisions of the hegemonic groups would adjust their approach to successfully depose those associations temporarily stationed at the pinnacle of political authority. Essentially, this approach demonstrates some remarkable similarities to the neo-liberal principles of competitive economic markets. Buyers and sellers of commodities, are supplanted in Dahl's political marketplace by the state and organized societal interests. Rather than barter or monetary transaction, the currency of exchange in pluralist markets is political influence. Exhibiting these consistencies, Dahl's analysis is also subject to criticism directed at the free market.

He suggests that the "invisible hand" of the political marketplace performs the role of a countervailing mechanism. He stated,

Because one centre of power is set against another, power itself will be tamed, civilized, controlled and limited to decent human purposes.'

This contention represents the most controversial tenet of classical pluralist philosophy. Principal among these criticisms is that superior resource endowment and the structural bias of capitalist economies institutionalizes the hegemony of the business class. However, contemporary pluralist writers have addressed this critique by revising some of the principal tenets of this hypothesis.

The revisionist strain of pluralism is evident in the works of Paul Pross, William Coleman and Grace Skogstad. Their reformation is grounded upon the contention that a symbiotic relationship exists between organized interests and the state.11 Consistent with traditional pluralist hypothesis, the aforementioned authors assert that interest group interaction with the state is invaluable. Interest groups perform conditions necessary to the maintenance of a democratic state. First, and perhaps most importantly, interest associations are a source of two-way communication. Between


11 This concept will be addressed in the Dominant Class portion of the Theoretical Foundation.

elections, groups provide the government with a barometer of public opinion. Governments may also solicit the specialized knowledge possessed by members of the community most closely associated with a given policy domain. Through assumption of this consultation function, interest groups legitimate the public policy decisions of the state.

Performance of the above mentioned communication and legitimization functions permits the inclusion of interest groups into the policy-making process. Referred to as the policy community, this structure consists of a network of advisory boards, commissions and regulatory agencies. Membership in the policy community is not extended to all groups within a given field of interest. Pluralists such as Pross and Coleman acknowledge that resource disparities may include some groups and exclude others. In particular, technical knowledge, fiscal endowment and skilled personnel possessed by the business community facilitates superior access to the policy community.

A common deficiency exists in the analysis of all three writers. Pross, Coleman and Skogstad understates the significant


role that the general public may impart on the government's decision-making process. Their hypothesis reduces public policy decisions to the accommodation of organized interests and state bureaucrats. However, public opinion polls and trial policy balloons are not aberrations. Public sentiment may provide powerful motivator for governments to respond to interests outside the policy community.

The Political Economy Hypothesis.

The discipline of political economy has experienced, what may be referred to as cataclysmic metamorphosis. So dramatic has this change been, that contemporary political economists clearly distinguish themselves from the old school. William Mackintosh and Harold Innis are generally acknowledged as pioneers in the field of Canadian political economy.11 Both writers focused their attention on the impact of natural resource exploitation on trade, settlement and political development in Canada. While there was some congruency in their arguments regarding the importance of the staple, Innis and Mackintosh arrived at significantly different interpretations concerning the impact of natural resource exploitation on national development. The latter asserted that the export of staple products was the first step in a colony's

metamorphosis towards nationhood. He suggested that the exportation of such commodities would eventually create a vibrant indigenous manufacturing sector within a new colony.\footnote{1} It was this contention where Innis’s staple theory differed substantially from that of Mackintosh.

Innis' terms of reference were centre and periphery. The centre was represented by the advanced industrial economies of Imperial France, Great Britain and later, the United States of America. The economic structure of peripheral nations was characterized by export dependence, the dominance of one resource economies, and a weak or nonexistent manufacturing sector. The tone of his analysis was critical. Innis asserted that the character of the centre-periphery relationship was exploitive. The resources of the peripheral communities contributed to the wealth of the centre, and the perpetual underdevelopment of the periphery. The author advanced the argument that the dependency of staple-based economies would eternally couple their subsistence to events in the centre beyond their control.\footnote{17}

Political economists and students alike, have encountered difficulty in distinguishing the old school political economy of Mackintosh and Innis from its contemporary adaptation. Part of this confusion may be attributed to the diversity of writers laying

\footnote{1 William Mackintosh, "The Economic Factors in Canadian History," \textit{The Canadian Historical Review} vol.IV, no.1, (March, 1923), pp.12-25.}

\footnote{17 Harold Innis, "The Canadian North," \textit{University of Toronto Monthly} vol.XXX, no.1, (January, 1930), p.163.}
claim to this doctrine. Feminists, neo-Marxists, liberals and environmentalists have enlisted themselves within the influence of this doctrine. Arguably, this diversification has resulted in some ideological ruptures, however, there are some characteristics that may be considered universal. Contemporary political economists have continued the critical evaluation of capitalist economic development, established by Harold Innis. The new political economy is grounded in neo-Marxist philosophy. As a result, class analysis constitutes a predominant theme explored by new school theorists. While Innis identified the imperial powers as the source of exploitation, contemporary political economists have reserved their criticism for the capitalist class.

The Dominant Class Hypothesis.

There are two predominant strains of dominant class analysis.

The instrumentalist approach is grounded upon the observations and of Karl Marx. He asserted, that societies were divided into two rival factions: the capitalist class—the owners of the means of production, and the proletariat, consisting of those that derived their subsistence from selling their labour power. In this environment, 'the state was far from an impartial manager of societal interests. "The government was the political representative of the propertied class." In Marx's Communist Manifesto, the author concluded that "... the executive of the modern state is but a committee for managing the common affairs of
the bourgeoisie [capitalist class]." The rigidity of decision-making in capitalist societies held the key to his prediction of a working class revolution. He stated,

... the antagonism between the proletariat and the bourgeoisie is a struggle of class against class, a struggle which carried to its highest expression is a total revolution. Indeed, is it at all surprising that a society founded upon the opposition of classes should culminate in the brutal contradiction, the shock of body against body, as its final denouement."

By the mid 1970's, dominant class theorists began to reform some of the tenets established by Marx. Western liberal democracies had weathered dramatic economic recessions and two world wars. Consequently, contemporary dominant class analysts were obliged to rationalize the survival of capitalist economies.

The Structuralist faction is best represented in the work of Nicos Poulantzas. His book, Classes in Contemporary Capitalism, represented a substantial innovation in dominant class theory. Previous interpretations of the character of the capitalist state had emphasized the primacy of its accumulation function. However, Poulantzas argued that capitalist economies were structurally dependent on private enterprises to provide a source of revenue and

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employment for its citizens. In this regard, the role of the state was to provide conditions conducive to capital accumulation. The new breed of dominant class writers attributed the survival of capitalism to the government's assumption of a legitimation function. That is, the state possessed a relative autonomy to act in the long-term interest of the capitalist class.\textsuperscript{11} Short term desires could be sacrificed to preserve the capitalist method of production. The principle of relative autonomy would be applied to developments regarding social welfare, state market regulation and the protection of collective bargaining rights in capitalist societies.

The structuralist and functionalist perspectives are united in their critical approach to discerning the capacity of the state to make decisions contrary to the interests of capital. In this sense, public policy outputs are simply the reflection of the long-term interests of the dominant class. However, recent developments in western liberal democracies are not easily discerned through this perspective. With specific reference to the Canadian context, former Prime Minister Trudeau's attempt to repatriate the energy industry and restrict foreign investment suggests that the state possessed its agenda, while simultaneously arousing the ire of the business community. It is this deficiency to which the following hypothesis is addressed.

The Statist Hypothesis.

The statist hypothesis refutes the principal tenets of pluralist, elite and dominant class analysis. That is, the policy decisions of the state are not necessarily the sum total of interest group, elite or class influence. This perspective advances the hypothesis that governments may execute their decision-making responsibilities independent of class or interest group suasion. Such political theorists as Allan Cairns and Fred Block have focused their analysis upon the state's capacity to act autonomously of the capitalist class. These authors have asserted that the private ambitions of state representatives are closely associated with authority and prestige of their political or bureaucratic domain.\(^{11}\) It is this self-interest that may precipitate conflict between dominant interests and the state.\(^{11}\)

The permanent bureaucracy assumes a particularly significant role in statist doctrine. The demands of modern policy issues often require time and expertise beyond the capacity of elected members of government. Concomitantly, state decision-makers have delegated increasing amounts of authority to the bureaucracy, commissions and regulatory agencies. This hypothesis does not


however, suggest that the state and the business class are in perpetual conflict. While disputes may arise, the self-interest of state representatives may be quite congruent with the desires of the corporate community. The statist hypothesis is vulnerable for all the same criticisms established by the elite, political economy and dominant class theories. That is, the dynamics of class, environment and nature of the capitalist production conditions the state's perception and response to its environment.

CONCLUSION.

This chapter has presented the theoretical environment applied to business-government relations in liberal democratic societies. The principal tenets of Elitist, Pluralist, Political Economy, Dominant Class and Statist perspectives have offered dissimilar, and conflicting interpretations of the decision-making capacity of the liberal democratic state. While every approach has its own innate qualities, all are subject to the same criticism. That is, political models that involve observations concerning the behaviour of groups, classes, or individuals are abstractions from reality. For the purpose of constructing a discernible representation, generalizations must be made. As a result, postulates are vulnerable when the dynamics of human interaction produce phenomena that can neither be foreseen, nor accounted for. In essence the study of politics is the study of often unpredictable human behaviour. For the political scientist, this can be a source of frustration and fascination.
Perhaps the key to addressing the vulnerability of political models is to use each selectively and, in the context of the environment in which it is applied. With respect to the Business Council on National Issues, some approaches are more valuable than others. Specifically, political economy, statist and dominant class analysis to employed to assess the Business Council's influence on trade liberalization, competition policy reform and public sector debt reduction.
Chapter II

BCNI Profile
Chapter II: BCNI Profile

INTRODUCTION.

The published accounts of the Business Council on National Issues have revealed only fragmentary information concerning this organization. Recent works produced by Barlow, McQuaig and Langille have exposed the BCNI as the omnipotent representative of capital. In the process however, these authors have delivered only cursory perusal of the Business Council's mandate, structure and membership. Consequently, the following examination utilizes data collected through interviews, existing published materials and selectively circulated documentation to construct a contemporary and precise depiction of this association. For those already well acquainted with the BCNI, this discussion may have little utility. However, for the vast majority, this chapter will provide greater insight into this organization. Although this chapter does not explicitly advance the hypothesis submitted in the theoretical foundation, this narrative will equip the reader with additional perspective to begin to survey the Business Council's influence on the macroeconomic agenda.

This chapter is separated into three components. The first "Typology", addresses the character of the organization, the second, discerns the associate profile and hierarchy of the Council and the third, concerns the Business Council's approach to public policy advocacy.
Most accurately, the Business Council on National Issues resembles a broad based business association. That is, the BCNI represents enterprises that encompass the entire spectrum of business activity. In this respect, the Business Council is quite similar to other comprehensive business associations such as the Canadian Chamber of Commerce, the Canadian Manufacturers' Association, the Canadian Federation of Independent Business and the Conseil du Patronat du Quebec. However, the Council's membership has been selected from an exclusive list of leading capitalist enterprises. Rather than a regional or sectoral bias, the associates of the BCNI represent some of the most significant corporations and privately owned businesses operating in Canada. Importantly, the Council does not admit Crown Corporations into their fold. The Business Council's principal function is to represent the interests of its members to government. Although interaction at the regional level of government does not represent a transgression of policy, the organization's attention is focused upon the activities of the federal government. In the words of a Council staff member, "... it would have to be an issue of major national significance for us to become involved at the provincial level".\footnote{Sam Boutziouvis, Interview, 20 August 1993. Mr. Boutziouvis has been an associate with the Business Council for three years. He currently performs research sanctioned by the policy committee and monitors the activities of the federal government. Mr. Boutziouvis has recently been involved in such BCNI initiatives as NAFTA, National Competitiveness, The Constitution (Charlottetown Accord) and public sector debt}
National Issues are not dissimilar to that of a professional lobbying firm. Unlike some lobbyists that have opted for more amiable labels such as political consultants, the BCNI does not reject this reference. BCNI President and Chief Executive Officer, Thomas d'Aquino has stated,

Is the Archbishop of Canterbury a lobby? Is the Pope a lobby? Is Shirley Carr of the Canadian Labour Congress a lobbyist? ... If it implies a group of people in a pluralistic democratic society trying to influence society according to their own set of principles, then we are lobbyists.1

In this respect the Business Council exhibits both congruencies and inconsistencies to a professional lobbying firm. Similar to a lobbyist, the Council's budget is derived from fees paid by its members.

In 1983, the BCNI's one million dollar annual budget was derived from a fifteen thousand-dollar fee charged to each of its members.2 Unfortunately and unexplainably, this information is no longer available to the public.3 However, unlike a political consultancy, the Council is a not-for-profit enterprise. Presumably, the financial obligations of this organization represent the sole reduction.


2 Jan Middleton, "Thomas d'Aquino: the voice of business in the halls of power," Canadian Business vol.56, no.3 (March 1983), p.17. This data is calculated as an average membership fee. As such, it does not necessarily infer that this was the fee charged to each member.

3 Sam Boutziouvis, Interview, 20 August 1993.
criterion for the assessment of membership fees.

MEMBERSHIP.

The Business Council on National Issues was established in 1976. Its founders included the chief executive officers of the Royal Bank of Canada, Canadian Pacific, Canada Packers, Power Corporation, Ford Motor Company of Canada, Abitibi Paper, Imperial Oil, Steel Company of Canada, and Noranda. From these modest beginnings, the Council's membership presently includes one hundred and thirty-nine of the most prosperous business enterprises operating in Canada. Some of its most renowned members include BCE Incorporated, the Royal Bank, IBM, General Motors, Imperial Oil, Northern Telecom and TransAlta Utilities. Associates have been solicited from all important sectors of the economy. A common thread among these enterprises is difficult to discern. Several writers such Langille, Barlow and McQuaig have suggested that the member firms of the Business Council on National Issues represent the elite foreign and indigenous capitalist operations in Canada.

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1 Thomas d'Aquino, "The BCNI Story," (7 April 1992). This speech was delivered by the Business Council's president and chief executive officer, Thomas d'Aquino, in honour of the organization's fifteenth anniversary. In respective order, the following individuals are credited with founding the Business Council on National Issues, Earle McLaughlin, Ian Sinclair, Bill McLean, Paul Desmarais, Roy Bennet, Tom Bell, Peter Gordon, Bill Twaits and Alfred Powis. Italicisation denotes firms that are no longer members of the BCNI.

Evidence to support this assertion abounds. Even the Business Council's "Information Brochure" proclaims that the Council membership is composed of ... 150 leading .... corporations. With about 1.5 million employees, member companies administer in excess of $1 trillion dollars in assets, and have an annual turnover of approximately $400 billion.'

Independently conducted surveys, reveal that the BCNI's membership has weathered the current recessionary cycle quite well. Thirty-eight of the Council's members are ranked among the one hundred most prosperous enterprises in Canada.' The depiction of the Business Council as the financial elite of Canada, however, is imprecise. Indeed, many associates do not meet this criterion. Additionally, examination of their membership profile reveals that many of the largest capitalist enterprises operating in Canada, have not enlisted within the BCNI's ranks. For example, Bell Canada, Seagram Company Limited, Thomson Corporation, Hudson's Bay Company, John Labatt Limited and Magna International are not


' Business Council on National Issues, "Information Brochure," (Spring/Summer 1993), unnumbered. This data has been subsequently adjusted. As of April 1993, BCNI publications have revised to reflect that member companies employ 1.3 Canadians, and $390 billion in annual transactions. These alterations are attributed to a number of factors including updated financial performance, and membership turnover. The reference to the size of its membership is an approximate statistic. The Business Council's membership is quite fluid. Member additions and departures occur periodically. As a matter of policy, the BCNI attempts to maintain its membership at approximately 150. Sam Boutziouvis, Interview, 20 August 1993.

' See Appendix B, "Financial Performance".
members of the Council. Consequently, the economic significance does not appear to be the entire qualification for BCNI membership. To comprehend this organization, it is necessary to examine the organization's structure.

STRUCTURE.

However impressive the membership profile of the BCNI may be, it is the structural relationship of the organization that is unique. The decision-making process is both hierarchal, bureaucratic and deferential in nature. In appearance, these characteristics may seem mutually exclusive. However, it is the high profile of the Council’s membership that requires this structural arrangement.

The Business Council extends membership only to the chief executive officers, or equivalent, of associate firms. Substitution nor delegation of Council tasks is not permitted. In this respect, membership is far from a ceremonial appointment. Through quarterly meeting, regular briefs, polling and direct contact with BCNI staff, the Business Council solicits active participation from all its associates. All members are provided the opportunity to participate in Council initiatives through enlistment in BCNI task forces.'

The Policy Committee is selected from the total membership.11 This thirty-four-member committee consists of the BCNI president and Chief Executive Officer, the founding and honorary chairmen, and twenty-four elected representatives from the Council's membership.11 The Policy Committee is responsible for coordinating data accumulated by the task forces and devising organizational strategy. The Council places a premium on member participation. Members who cannot fulfill their commitments are requested to resign their position.12 Further up the Business Council's hierarchy is the Executive Committee. This panel's chairman, five vice-chairmen and the BCNI's President and CEO supervise the activities and of the entire bureaucratic structure.13

It is difficult to conclude any discussion of the Business Council on National Issues without mentioning its leadership. Thomas d'Aquino was appointed President and Chief Executive Officer


of the Council in 1981. Since then, the BCNI leader has been accredited as the most influential lobbyist in Canada.14 For this reason, Mr d'Aquino has received both acrimony and criticism. Business Council members have asserted that his strong leadership and ability to manufacture consensus from diversity, are the reasons for the BCNI's success. In this regard, Edward Newall, the Chief Executive Officer of Dupont Canada and Council member, commented

His skills at bringing divergent points of view together are very high, ... The work he led recently which resulted in a unanimous adoption of constitutional direction from people who represent the thinking of all the divergent parts of this country is another measure of his leadership and the work he brings to the table.15

By contrast, the BCNI leader provides a more modest assessment the responsibilities of his office. He quite humbly remarked that his primary obligation is to "... ensure that the Policy Committee's decisions are implemented".16 In appearance, these comments appear quite peculiar. However, this statement must be placed in context of the organization's membership. By reserving membership to the most senior executive of associate firms, the BCNI creates both


opportunities and obstacles. It is quite reasonable to suggest that the Council's membership profile confers some political influence. However, this also creates some formidable logistical problems in managing a group of people accustomed to exercising supreme authority. As a result, Mr d'Aquino's public comments regarding the authority of his office are necessarily diplomatic. Unfortunately, such humility shrouds the subtleties of group decision-making within this organization.

THE BCNI & NATIONAL INTEREST.

The Business Council and its leader, have been portrayed as masterful lobbyist for the corporate elite—a hired gun to dispatch the desires of the business community, and ensure that they are implemented by the state. In this regard, David Langille's article "The Business Council on National Issues and the Canadian State," established the tone of subsequent publications by Barlow and McQuaig. Langille stated,

... the recent capitalist offensive in Canada has been more subtle and sophisticated than that south of border. The leading force in this offensive has been the Business Council on National Issues."

In some respects, the Business Council may not disagree with the

above statement. The BCNI's explicit purpose was to provide an avenue for Canada's senior business leaders to have some influence on the priorities of government. Its clientele are exclusively selected private business enterprises. However, the Council maintains that nature of its high profile corporate membership does not preclude the organization's capacity to identify the concerns of average Canadians. Certainly, it would require childlike innocence to accept that the Business Council would pursue an agenda contrary to the interests of its members. However, the members of the Council believe that the interests of the public and the business community are not necessarily antithetical. The chapters that follow demonstrate that the Business Council has consistently presented its policy initiatives in light of parallel interests between the business and the citizenry. While the sincerity of the Council's endeavour has been the subject of partisan debate, the ability to define mutual interests is at least partly attributable to the BCNI's success.
Chapter III

Trade Liberalization
CHAPTER III: Trade Liberalization

INTRODUCTION.

Recent explorations into the Canada-United States Free Trade Agreement (FTA), by Langille, Barlow and McQuaig, have probed beyond the most visible sources of political authority. Common to all their accounts, is a conviction that the business community of Canada were the principal advocates for such a trade arrangement. In particular, their hypotheses suggest that the Business Council on National Issues assumed the preeminent role in delivering free trade to the business community. The Conservative government is portrayed as a convenient courier, acting on the Council's behalf. However, free trade's journey to the top of the Canadian economic agenda is a complex one. It involved a change in prevailing state ideology, the cooperation of the federal bureaucracy, the provinces, and a number of external economic developments. Collectively, these conditions engendered the government's decision to pursue a trade liberalization agreement with the United States. This should not imply that the support of the Business Council was insignificant. Indeed, had the members of the BCNI not supported the reduction of trade barriers, such an arrangement may have never materialized. However, any summation of the FTA as the sole product of the BCNI's influence, remains inconclusive.

The purpose of this chapter is threefold. First, the Business Council on National Issues emerged as an early proponent of trade liberalization with the United States. This subsection will examine the Council's ability to position free trade on Canada's
macroeconomic agenda, influence agreement content, and ensure that the accord would pass public scrutiny. Second, the 1984 election victory of the Conservative Party represented a significant change in state ideology. The neoclassical liberal philosophy of the new regime provided a very receptive host for trade liberalization strategy. Additionally, the federal bureaucracy and the provincial governments would assume a significant role in advancing the free trade initiative. Third, governments rarely make decisions within a vacuum. That is, conditions within the international arena may have some discernible impact on policy decisions of the state. In this respect, the Canada-United States Bilateral Free Trade Agreement may also be regarded as a response to perceived conditions in the international marketplace.

THE BCNI & FREE TRADE.

Dominant class theorists, concerned with the BCNI's influence, have asserted that the Conservative government have acted on the behalf or behest of this powerful entity. The Bilateral Free Trade Agreement with the United States is advanced as one example of state acquiescence to the desires of the Business Council. In this regard, class analysis assumes a prominent role in determining the policy direction of the state. Members of the government and corporate elite are often members of the same exclusive class. While class alignment does not guarantee that the state will perpetually act in the interests of the business community, their experience conditions how they perceive and respond to their
environment.

Dominant class theorists have argued quite persuasively, that the members of the Conservative government have been extracted from the business elite. At the helm of the government, was Brian Mulroney. Although the Prime Minister has demonstrated a propensity to emphasize his relatively humble beginnings, Mulroney had extensive links to the elite crust of the business class. Educated in law, Mulroney's skill as a labour negotiator eventually secured him, the position of president of the Iron Ore Company of Canada. While the Canadian business had complained that relations with previous governments had been less than hospitable, in Brian Mulroney, Corporate Canada had one of their own, occupying the highest echelon of political authority. Similarly, Michael Wilson's appointment as Minister of Finance was well received by the business community. Acknowledged for his right of centre views, Wilson's pre-public career indicated that the Minister of Finance was also a member of the corporate elite. Throughout the late sixties and early seventies Wilson occupied several senior positions within Canada's most prestigious financial enterprises.1

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1 Linda McQuaig, The Quick and The Dead: Brian Mulroney, Big Business and the Seduction of Canada (Toronto: Penguin Books of Canada Limited, 1991), pp.95-6. In his five year contract with the Iron Ore Company of Canada, Mulroney received a very handsome salary, accompanied by a variety of corporate perks including a company plane at his disposal, membership in the exclusive Mount Royal Club, use of a country home in Labrador and season tickets behind the Montreal Canadians bench at the Forum.

1 Derry McDonell, ed., The Mulroney Team (Don Mills: Corpus Information Services, 1984), p.49. Michael Wilson's career began with the brokerage firm Harris and Partners, in 1961. In 1969, he assumed the directorship of Harris and Gordon, and was later
Dominant Class Theory presumes the existence of an almost telepathic communication of common desires between state and corporate elites. However, the large presence of professional lobbying firms and collective associations, representing the business community, indicates that there are certain circumstances where more earthly consultation is required. This subsection examines the methods in which the Council imparted their free trade message to the members of the Mulroney government. The BCNI's capacity to influence state macroeconomic policy will be organized as follows: positioning free trade on the macroeconomic agenda, agreement content, and public education.

Prior to the examination of the Council's influence, some utility would be derived from a discussion of the BCNI's approach to the reduction of trade barriers. To date, accounts of the Business Council's support for trade liberalization have been relatively imprecise. Writers have attributed the BCNI's endorsement of free trade as a product of the organization's neo-liberal zealotry.¹ While this interpretation may not represent a complete fabrication, the Council's free trade initiative may have been more a consequence of the projected benefits to be realized by its members, than an ideological commitment. Previous examination

appointed the vice-presidency of this firm.

of the Council's bureaucratic structure, revealed a high level of member participation in the decision-making process. Briefs, periodic member polling and committee membership provides its associates with adequate opportunity to be participate in the formation of Council initiatives. This structure ensures that BCNI initiatives are supported by their membership. Thus, predicted increases in member profits, realized through reducing Canada-U.S. trade barriers, may have had a greater influence on the BCNI's advocacy of free trade than philosophical commitment to neo-liberal principles.

The direct beneficiaries of the free trade agreement were perceived to be large corporate enterprises. These businesses had access to large pools of capital to expand production facilities to supply the American consumer market. Among the most prominent of these firms, were those dependent on the extraction and/or processing of raw materials. Examination of the BCNI's membership profile, revealed that primary sector corporations were well represented within the ranks of the Business Council. Twenty-two of the one hundred and thirty-nine members of the Business Council are involved in this form of industrial activity (see Appendix A). Other projected 'winners' were advanced technology industries. Prohibitively high production costs, a small Canadian consumer market, and American trade barriers prevented these enterprises from sustaining efficient production lines. This high tech element was also well represented within the Business Council's ranks. Twelve additional members were primarily engaged in the
manufacturing of communication, computer, or electronic equipment.

Positioning Free Trade on the Agenda.

Recent commentary concerning the Business Council on National Issues, has been directed at the organization's privileged access to key government decision-makers. The high profile of its membership guarantees that the Council's voice will be heard. Rather than confronting the government on matters of concern, the BCNI has fostered an amicable partnership with the Mulroney government. In 1983, when the Royal Commission on the Economic Union and Development Prospects for Canada requested submissions on the state of the economy, the Council responded in its accustomed professional manner. Their brief expressed the Council's concern regarding Canada's recent poor economic performance. Within this publication, the BCNI asserted that trade barriers represented a fundamental obstacle to Canadian prosperity. It stated,

Most proposals that aim to spare Canada from the need to adjust to international economic change would place additional burdens on this

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2 The Royal Commission on the Economic Union and Development Prospects for Canada is also referred to in its abbreviated name the Macdonald Report; after its chairman Donald Macdonald.

country's already overstrapped governments...economic policies that seek to insulate this country from global economic forces simply cannot work in the long run. A small nation that derives 30 percent of its gross domestic product from exports, that borrows heavily in foreign capital markets, and that is already closely integrated with the international economy can only pursue policies of narrow economic nationalism at great risk to its own prosperity.\textsuperscript{1}

Although the Council's submission did not explicitly advocate free trade with the United States, such an arrangement was congruent with the BCNI's recipe for economic growth. The impact of the Business Council's report to Macdonald Commission is difficult to assess. Indeed, only the commission's chair and committee members know how much credence was invested in the Council's submission. However, some tangible evidence exists to indicate the significance of BCNI's recommendations. Analysis of the Macdonald Report's conclusions, suggests that the commission was quite receptive to the business community's overtures for a reduced role of government in the economy. Indeed, the commission's recommendations echoed the sentiment expressed by the Business Council. The Macdonald Commission concluded,

\begin{quote}
relative to current practice, Commissioners favour a more market-oriented industrial policy. More particularly, we favour letting the market work and placing less emphasis on government intervention to protect declining industries.\textsuperscript{1}
\end{quote}


\textsuperscript{1} Canada, Royal Commission on the Economic Union and Development Prospects for Canada vol.1 (Ottawa: Minister of Supply
Common to both approaches was an endorsement of market principles, and a portrayal of government as an inhibitor to fiscal efficiency. State subsidization, through protectionist policies or direct transfers of public funds to domestic industries was no longer a viable industrial policy. It does not require a quantum leap in economic philosophy for the Business Council and the Commission to recommend trade liberalization strategy, with United States.

During its three-year investigation, the Macdonald Commission entertained submissions from organizations representing business, labour, religious affiliations, women, and the economically disadvantaged. Through the course of this comprehensive examination, the Commission was extremely sympathetic to industries that had demonstrated potential for expansion, but were thwarted by American protectionism. Increasingly, the members of the Macdonald Commission embarked upon the course of freer trade with the United States. Recognizing the potential of this issue to arouse Canadian anxieties, the Commission's chairman attempted to prepare the public for the Report's conclusions. Shortly before the 1985 publication of the Royal Commission on the Economic Union and Development Prospects for Canada, Donald Macdonald suggested that the reduction of trade barriers with the United States would require a 'leap of faith'. However perilous this journey may be, the Commission asserted that Canadian prosperity was dependent upon

and Services, 1985), unnumbered.
stable and freer access to the American market." The Business Council on National Issues would also embark on a similar pilgrimage towards trade liberalization. However, the BCNI's advocacy of free trade would synthesize the organization's specific recommendations for the scope and strategy to be employed in bilateral negotiations with the United States.

Agreement Content.

The Business Council was not content with merely placing free trade on the government's economic agenda. The BCNI would once again assume its statesmanlike role to influence negotiating strategy and content of the agreement. In 1985, the Council commissioned publication of, Canada/United States Free Trade: Problems and Opportunities. This document reinforced the Council's support for a free trade with the United States, and elaborated the BCNI's recommendations, concerning agreement content and negotiating procedure. Beyond abstract economic principles, or corporate aggrandizement, the BCNI advanced the argument that a free trade agreement with the United States would result in higher real incomes for Canadians. Duty-free access to the large American market would permit domestic producers to extend

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1 Canada, Royal Commission on the Economic Union and Development Prospects for Canada vol.1 (Ottawa: Minister of Supply and Services, 1985), pp.299-300.

production lines, and lower per unit costs. Savings derived from lower production expenditures could theoretically be passed on to Canadian workers and consumers.\textsuperscript{11} The Council acknowledged that reciprocal access granted to American producers could result in some displacement. However, losses in employment would be compensated by the increased labour demands of those firms that would expand production.\textsuperscript{12} Enhanced American competition in domestic markets, combined with lower manufacturing costs for Canadian producers would decrease the cost of consumer goods. The BCNI document forecasted the combination of higher wages and lower prices, would increase Canadian real incomes by five to ten percent.\textsuperscript{13}

The Business Council recognized that opposition to free trade would inevitably focus on the vulnerability of Canadian sovereignty. As a result, the BCNI advocated a free trade arrangement, which it believed would best alleviate this concern. By their very nature, trade accords result in a loss of independence. In exchange for perceived benefits, nations participating in a trade agreement are bound to an established set of acceptable behaviours. Those parties that do not abide by the accord's provisions may be fined, suspended or otherwise disciplined. While each party may choose to exercise its


\textsuperscript{12} \textit{Ibid.}, p.4.

\textsuperscript{13} \textit{Ibid.}, p.5.
sovereignty by acting contrary to the contract's edicts, it does so at the risk of forfeiting the advantages derived from participation in the agreement. A Common Market or Customs Union, was deemed unsatisfactory, by the Business Council. The organization asserted that such an arrangement would result in an unacceptable diminishment of Canada's ability to conduct sovereign trade relations with other nations. The BCNI believed that the designation of a free trade area was the most desirable option. A sectoral or comprehensive trade liberalization agreement would best preserve Canada's economic independence.

The ultimate reflection of the Canada-United States Bilateral Free Trade Agreement resembled the Business Council's recommendation for the designation of a trade liberalization zone. FTA established the principle of national treatment. That is, a free area provided that commodities and services would be treated equally without regard to their origin. More remarkable, was the congruence between the negotiating strategy employed by the Canadian trade delegates, to that sanctioned by the Business Council. The BCNI suggested that, during the course of trade discussions, certain undesirable elements of Canadian macroeconomic policy should be bargained away to help bring about a settlement.

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11 A Common Market or Customs Union approach to free trade involves a common attempt to harmonize trade policies of member nations. Typically, this may include a common duty on commodities imported from nations outside of this arrangement. R.J. Wonnacott, Canada/United States Free Trade: Problems and Opportunities (Toronto: Ontario Economic Council, 1985), pp.12-3.

11 Ibid., p.12.
The principal targets of the BCNI and American trade negotiators were the Foreign Investment Review Agency (FIRA), and the National Energy Program (NEP). Ultimately, both programs would be dismantled by the Canada-United States Bilateral Free Trade Agreement. In the spirit of the agreement, Canadian restrictions on American investment and access to Canada's energy reserves were liberalized. However, the dismemberment of these policies provides only circumstantial evidence of the political leverage exercised by the Business Council, during the free trade negotiations. As early as 1984, the Conservative government identified the NEP and FIRA as obstacles to foreign investment and thus subject to legislative review.

Public Education.

The Business Council's free trade initiative was not limited to communication with the Government of Canada. The Mulroney government would eventually permit the Free Trade Agreement to be subjected to public scrutiny. This issue would assume a significant role in determining the outcome of the 1988 electoral campaign. As the authors of the accord, the Conservatives were the only party to support the FTA, with the Liberals and New Democratic Party supplying the opposition. The battle lines were clearly drawn. The fate of the deal was controlled by the electorate.

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However, the Business Council would not idly watch this campaign from the sidelines. The BCNI would utilize its formidable resources to execute a masterful pro-free trade campaign.

Although the Council's campaign did not explicitly instruct voters to support the Conservative Party, however, as the only party supporting free trade, the Tories were the sole beneficiaries of the BCNI's initiative. The fiscal endowment of its members made it possible for the Business Council to saturate the media with their account of the Free Trade Agreement. Concomitantly, this resulted in allegations that the BCNI had exercised undue influence in determining the outcome of the 1988 election.\(^\text{11}\) To date, no published material exists that provides conclusive evidence to substantiate this argument. However, for purpose of advancing this hypothesis, it is reasonable to suggest that the following criteria must be satisfied: first, that the free trade issue was the most important factor influencing voter support, and second, that the Business Council's advertising campaign influenced a significant number of voters to support the Conservative Party. Prior to an examination this hypothesis, some perspective would be gained through a discussion of the players involved in the 1988 electoral campaign.

In 1987, David Culver, honourary chairman of Business Council and president of Alcan Aluminum, established the Canadian Alliance

for Trade and Job Opportunities (CATJO)." Its mandate was officially educational. At a Toronto news conference its founder remarked,

The Alliance is not asking anybody to vote one way or another, ... What we're asking them [the electorate] to do is consider the facts of an agreement which has been signed and studied and debated for a long time and still needs more debate."

Despite Mr Culver's comments, the Canadian Alliance of Trade and Job Opportunities was unmistakably partisan. Its sole purpose was to instruct, not educate, the Canadian voter that there was no alternative but to support the free trade initiative. For this purpose, the Alliance deployed a twin pronged assault. First, its members would embark on an aggressive speaking tour to support the free trade agreement. The most visible members of the Alliance were its chairmen. Both former Alberta Premier Peter Lougheed and Donald Macdonald assumed active roles on the public speaking

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circuit. Second, advocacy advertising would convey the Alliance's message to a mass audience. The CATJO was perhaps best known for its media blitz entitled, *Straight Talk on Free Trade*. This publication was distributed in forty-two daily newspapers, and one national magazine (Maclean's).\textsuperscript{11} At its disposal, the Alliance commanded an impressive supply of technical and financial resources. In addition to expert advice supplied by member associations, financial support was also readily available. The Alliance's official accounting statement revealed that the coalition had accumulated over 5.25 million dollars in corporate and individual donations.\textsuperscript{12} From this total, 2.31 million dollars was disbursed on advocacy advertising.\textsuperscript{13}

The Alliance was not intended to be the sole preserve of BCNI members. Although such prominent Council members as, the Royal Bank, Noranda, Ford of Canada, and Texaco\textsuperscript{14} were active members of


the group, the Alliance solicited support from a cross-section of Canadian society. Its legitimacy would be enhanced if it could co-opt members representing diverse interests. Although not terribly successful in this regard, the organization did attract the support of Consumers' Association of Canada, the Western Canadian Wheat Growers, and the Canadian Federation of Independent Business." In addition to Alliance's activity, the Business Council on National Issues did not remain silent during this campaign. In no uncertain terms, Thomas d'Aquino's public appearances reinforced the Council's advocacy of trade liberalization." However, it is reasonable to conclude that the existence of the CATJO allowed the Business Council to assume a comparatively lower profile during the public campaign."

The Canadian Alliance for Trade and Job Opportunities did not

"Bruce Doern and Brian Tomlin, Faith and Fear: the Free Trade Story (Toronto: Stoddart Publishing Company Limited, 1991), pp.216-17. Among other Alliance members were, the Canadian Chamber of Commerce, the Canadian Manufacturers Association, the Canadian Bankers' Association, the Canadian Petroleum Association, the Canadian Independent Computer Services Association and the Petroleum Marketers' Association of Canada.


campaign unopposed. Its main challenger was the Pro-Canada Network (PCN). Established in 1987, the PCN's membership consisted of an eclectic collection of labour, religious groups, the academic left wing, and women's organizations. At its helm, was Tony Clarke and Maude Barlow. Under their leadership the Pro-Canada Network advanced the argument that the Free Trade Agreement would serve only to enrich capitalist interests, while broadening the gap between wealthy and poor Canadians. Unlike the Alliance, the Pro-Canada Network did not have access to large corporate coffers. Its seven hundred and fifty-two thousand dollar budget was collected from labour unions, member associations and private citizens. The most expensive component of the PCN's anti-free trade campaign was a brochure entitled, What's the Big Deal? Approximately two

Mel Hurtig, The Betrayal of Canada (Toronto: Stoddart Publishing Company Limited, 1991), p.310. The Pro-Canada Network has since changed its name to the Action Canada Network. At the 1987 Council of Canadians convention the PCN was founded with the specific mandate to educate the public regarding the free trade issue.


Maude Barlow assumed the position of chairperson of the Council of Canadians in 1988.

million copies of this publication distributed in twenty-four daily newspapers, in Canada.14

The Alliance and the Pro-Canada Network represented the principal combatants in the interest group war on free trade. However, other group participants assumed significant, although secondary engagement in the campaign. Supporting the free trade agreement was the Government of Alberta, and the National Citizens' Coalition. On the 'nay' side, the PCN's campaign was supported by such individuals as Canadian author Margaret Atwood, and CBC broadcaster, Adrienne Clarkson.

Now that the environment of the 1988 election has been established, some perspective may be imparted to an analysis of the Business Council's impact on the 1988 election. Its splinter organization, the Canadian Alliance for Trade and Job Opportunities certainly possessed greater access to skilled professional advice and fiscal resources to wage an effective crusade for free trade. However, the question that remains is, how much influence did the Alliance's campaign have on voter support? CATJO's free trade initiative was devoted to educating the public concerning the merits of the Free Trade Agreement. In order for their campaign to have any bearing on the 1988 campaign, free trade would have to emerge as a significant election issue. Data accumulated by a national election study, revealed that free trade was the dominant

14 Janet Hiebert, "Interest Groups and Canadian Federal Elections," in Leslie Seidle ed., Interest Groups and Elections in Canada (Toronto: Dundurn Press Limited, 1991), p.27. This brochure represented the pinnacle the PCN's campaign. At a cost of $688 000, it absorbed almost all of the Pro-Canada Network's budget.
issue among eligible voters. Eighty-two percent of those questioned, identified the Free Trade Agreement as the most significant concern in the 1988 election.\footnote{Jon Pammett, "The 1988 Vote," *The Canadian General Election of 1988* Allan Frizzell et al. eds. (Ottawa: Carleton University Press, 1990), p.121.} This matter had the potential to transform the campaign into a referendum on free trade. However, the same investigation concludes that the electorate's position on the FTA had relatively little impact on party support.\footnote{Ibid., pp.124-5. Only 21% of Conservative supporters responded that free trade had influenced their party selection. Similarly, 17% and 10% of respective Liberal and New Democratic Party respondents identified free trade as the most important factor in their party selection.} Indeed, voter identification of free trade as the most significant election issue only confers the potential of this issue to determine the election's outcome. In the 1988 election, only one-fifth of the Conservative supporters indicated that free trade was the primary factor influencing their vote. Collectively, approximately one-quarter of the combined voters supporting the Liberals and NDP revealed that opposition against free trade was the prime reason for supporting these parties. Of those respondents that indicated free trade as the determining factor influencing their voting decision, more voters rejected the free trade initiative. However, even this data provides only circumstantial evidence concerning the impact of advocacy advertising on party support. Thus, until further data can be produced, the allegation that the monied interests of the Business Council exercised undue influence in determining the outcome of the
1988 election remains inconclusive.

The Dominant Class hypothesis provides a parochial interpretation of free trade's rise to political prominence. Class cohesion between corporate and state elites, is advanced as a sole determinant of public policy. Within this doctrine, there is no accommodation for state representatives to act independently of corporate interests. As the representative of elite capital in Canada, the Business Council's capacity to deliver the Free Trade Agreement to the business community is demonstrated as an example of a dominant class relationship.

THE CANADIAN STATE & FREE TRADE.

The Canadian State is frequently described as a 'three-ring circus'. While this characterization is facetious, it confers the complexity of policy-making in Canada. Typical components of the state include the government and the bureaucracy. However, somewhat atypically, the Canadian State is expanded to include the representatives of the provinces. Annual federal-provincial conferences, an entire ministry devoted to coordinating this relationship, and a myriad of consulting mechanisms is testament to the extensive communication that transpires between these two levels of government. In this respect, this subsection of the paper examines the process in which all three elements of the Canadian State contributed to the national free trade initiative.

The statist hypothesis most typically advances the argument that government initiatives are often a reflection of the private ambitions of state representatives. This theoretical analysis emphasizes the state's capacity to determine the direction of public policy, independently of established interests in society. However, autonomous decision-making does not necessarily entail state-interest group discord. This subsection demonstrates that the 1984 election victory of the Progressive Conservative Party resulted in a new approach to governing. The neo-liberal ideology espoused by the new regime provided a very receptive host for the overtures of the business community, and particularly, the Business Council. The federal government's decision to pursue trade liberalization strategy was complemented by members of the bureaucracy and the provincial governments. What should emerge from the discussion is that the key to evaluating the Business Council's influence is revealed by examining how much effort was required to sway the government's support for free trade.

Ironically, the Conservative Party's embrace of free trade was proceeded by its outright rejection as a viable economic strategy for Canada. During the 1983 Tory leadership convention, three of the four candidates, renounced further trade liberalization with the United States. Brian Mulroney's comment was particularly illustrative of the party's position on this issue. He stated,

... free trade was decided in an election in 1911. It effects Canadian sovereignty and we will have none of it, not during leadership

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After the convention, and subsequent to the Conservative's Party's 1984 election victory, Prime Minister Mulroney announced his government's intention to commence free trade negotiations with the U.S. The Tory flip-flop appeared quite dramatic. However, examination of the prevailing political philosophy of the Conservative elite reveals that trade liberalization was quite congruent with the party's economic philosophy.

The ideological conviction of the new government was presented in early statements and publications of the Conservative elite. In 1983, Brian Mulroney's aptly titled, Where I Stand, provided a polemical interpretation of his approach to governing. Mulroney appeared to embrace neo-liberal economic principles. Antipathy towards 'big' government, irresponsible fiscal management, and a romanticized perspective of the free market were imbued throughout this work. He stated,

No matter what the industrial circumstances or ad hoc justifications, there is something wrong about the existence of some 600 Crown corporations. The private sector must have

"The Toronto Star, 8 June, 1988, p.A1. Joe Clark chose to describe free trade as "dangerous", while Michael Wilson added that the issue was both "naive and dangerous". John Crosbie was the only Conservative candidate to publicly support trade liberalization, during the 1983 convention. (pp.A1, A6).

room to breathe and room and energy to grow."

These sentiments were reinforced by the comments of Michael Wilson. As Minister of Finance, Wilson assumed a prominent role in determining the direction of the Tory government. His national budget statements elaborated on the philosophy of the Conservative government. In Wilson's 1985 Budget Speech, he stated,

"Government is not only too big, it also reaches too far into almost every corner of the economy. It over-regulates some industries and over-protection others. In trying to facilitate investment, government too often distorts it. Instead of encouraging strength, many actions perpetrate inefficiency. Too often, government frustrates entrepreneurialship and discourages initiative."

For both Mulroney and Wilson, the Canadian State had assumed an unacceptable presence in the market. Subsidization of private enterprises, through tariff protection or direct transfer of public funds to capitalist enterprises had fostered the growth of an inefficient private sector, and an unmanageable national debt. Retraction of government activity in the private sphere would remedy both market deficiencies.

The neo-liberalism of the Conservative elite was echoed by

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"Hon. Michael Wilson, Commons Debates, (7 November, 1984,) p.98.

"Ibid., pp.10-13. Mulroney laments Canada's recent anemic productivity performance. During the immediate post second world war period through the mid 1970's, Canadian productivity growth averaged 2.5% per annum. In the late seventies, this advancement declined to 0.2%. (p.11)
Department of Finance. Their 1984 publication entitled, *A New Direction for Canada: An Agenda for Renewal*, documented the government's fiscal strategy.\(^1\) Beyond endorsement of an ideological conviction, this publication identified Canada's economic problems and potential remedies. Trade barriers, it was asserted, inhibited the efficient functioning of the marketplace. Market insulation in the form of tariff and non-tariff barriers, investment and direct grants to Canadian industry had distorted signals delivered by the market. These market impediments contributed to the poor performance of the Canadian economy. Statistical data, produced in the Macdonald Report, revealed that in terms of export value, employment rate, and productivity: the Canadian economy was being consistently outperformed by other advanced industrial nations. For the Conservative government, Canada's economic quandary could be improved by reducing barriers to trade. As Canada's largest trading partner,\(^2\) the United States represented the most desirable alliance in such an arrangement.

\(^1\) Bill Fox, former press secretary to Mulroney, commented that this publication, "... was deliberately done separate from the budget process so it would be seen as an economic blueprint paper. Another high ranking government member remarked, "Each of the budgets would measured against it". Linda McQuaig, *The Quick and the Dead: Brian Mulroney, Big Business and the Seduction of Canada* (Toronto: Penguin Books Canada Limited, 1991), p.123.

The finance department asserted,

Canada is the only major industrial country without unimpeded access to a market large enough to permit substantial economies of scale. If we are to foster growth through trade, we must obtain more secure and improved access to foreign markets on the broadest possible basis. This would require, of course, that Canada would also have to move to increase access to its domestic market."

The above portrayal of the Mulroney government is not that of a party devoid of an economic strategy. Reduction in the size and scope of government, the free functioning of the market, and the virtue of the private entrepreneur was the mantra of the new regime. The neo-liberal ideological conviction of the Conservative elite and the finance department engendered a Canadian state that was receptive to reducing barriers to trade. The economic justification for trade liberalization was provided in the research performed by the Macdonald Commission. An indication of the importance ascribed in this document is given by former Minister of State and Privatization, John McDermid. He commented, "... this Report [Macdonald Commission] provided the most persuasive evidence supporting the concept of free trade with the United States"."

Provincial participation in the free trade negotiations with the United States assumed unprecedented proportions. Immediately prior to the commencement of bilateral free trade discussions with


the U.S., approximately eighty percent of Canadian exports entered the American boarders duty free. However, such discriminatory trade practices as "Buy American" and reciprocal Canadian trade barriers presented the real impediments to the free movement of goods and services between the two nations. Certainly, for the Free Trade Agreement to have any significant impact, the issue of non-tariff barriers needed to be addressed. Indeed, it was the agreement's potential to eradicate non-tariff barriers that presented the most severe infringement on provincial jurisdiction. Most notably, the trade accord threatened to infiltrate such provincial terrain as, energy, natural resources, consumer protection, and regulation of local markets (i.e. wine and liquor)." As a result, the provincial premiers demanded some form of participation in the negotiating process.

At the November 1985 First Ministers' Conference, the premiers representing Ontario and the western provinces advanced the notion of "full and equal participation" in the future free trade discussions, with the United States." The province's request found a sympathetic audience in Prime Minister Mulroney. His government was committed to fostering an amicable relationship with the


provincial governments. In this regard, the Tory government's strategy reflected the realities of the party's electoral support base. Strong representation in Quebec and the West necessitated that these regions be brought on side with respect to the free trade issue. Although the premiers did not elaborate on their proposal, it implied a greater role than the federal government was willing to accept. The government countered with an offer of "full participation". While equally ambiguous, the federal government's proposal suggested that the provinces would not be accommodated as equal partners in the negotiating process.

In January of 1986, provincial participation began to take form. The provinces would be kept abreast of developments in the negotiations through frequent consultations with Canadian trade delegates. This communication was institutionalized under the Continuing Committee on Trade Negotiations (CCTN)." Although the extent of participation through the CCTN was not established, it was implied that the monthly meetings of the committee would provide opportunity for provincial input. The provincial governments had succeeded in securing a formalized consultative arrangement with the federal government. However, the province's role in the free negotiations should not be overstated. Provincial representatives assumed no official role in the determination of the substance of the agreement, and trade negotiations with the United States remained the sole preserve of the federal government.

The International Market & Free Trade.

Throughout the free trade negotiations, some political commentators had questioned why Canada needed to pursue such an arrangement with the United States. Canada already had relatively free access to the American market. By 1987, eighty percent of Canadian exports entered the American market duty-free. An additional fifteen percent of Canadian commodities and services were levied with a U.S. tariff of less than five percent. However, this access was not guaranteed. Recent trade disputes with America, had illustrated the vulnerability of Canadian trade to protectionist sentiment within the U.S. Congress. American legislators indicated that they were quite sensitive to the record high trade deficits experienced by the United States. Shortly before the commencement of bilateral free trade negotiations with Canada, the United States had registered a one hundred and seventy billion trade deficit. In an international context, Canada's trade surplus with the United States was relatively small, however, there existed a possibility that Canadian exports could be smothered in the wrath of a comprehensive protectionist policy.

Canada's trade anxieties were exacerbated in October of 1986. In this year, the U.S. Department of Commerce imposed a fifteen

38 Canada, A New Direction for Canada: An Agenda for Economic Renewal (Ottawa: Minister of Supply and Services, 1984), pp.32-3.
31 Ibid., p.33.
32 Thomas d'Aquino, "Economic high noon: what are our choices?," Canadian Speeches vol.1, no.9, (January, 1991), p.9. Canada was second only to Japan registering a trade surplus with the United States.
percent tariff on Canadian lumber products.\textsuperscript{33} Referred to as the Softwood Lumber Dispute, this conflict actually commenced two years earlier. In 1984, an association of American lumber companies submitted a petition to the International Trade Commission (a division of the U.S. Commerce Department). Their brief asserted that the low stumpage fees paid by Canadian lumber companies constituted a unfair subsidy.\textsuperscript{34} The essence of this dispute was a direct result of the means by which timber rights were granted in Canada. Approximately seventy percent of prime Canadian timber reserves are located on provincially owned Crown Lands.\textsuperscript{35} In exchange for rights to remove lumber supplies from public lands, Canadian producers were assessed a surcharge-referred to as a stumpage fee. American lumber companies asserted that the Canadian levy did not reflect existing market conditions.\textsuperscript{36}

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\textsuperscript{35} Ibid., p.187. Section 109 of the Constitution Act delegates responsibility for timber to the provincial governments.

\textsuperscript{36} Ibid., p.189. A comparison of stumpage fees charged in prime lumbering reserves, located in the United States and Canada revealed that Canadian producers paid far less for lumbering contracts than their American counterparts.
The decision to impose a duty on Canadian lumber exports occupied a small, but significant portion of trade between these nations. However, the Softwood Lumber Dispute had much larger implications for Canadian trade. Indeed, the Canadian government believed that this judgement may have been indicative of a much larger U.S. protectionist directive. As a result, an agreement that would secure Canadian access to the American market was deemed both desirable and necessary.

CONCLUSION.

This discussion has advanced the hypothesis that the Conservative government's inclination towards trade liberalization, is best comprehended through Dominant Class, Statist and Political Economy doctrines. As they are introduced in this examination, each theoretical foundation attempts to address the deficiencies of

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3 In February of 1986, External Affairs Minister, Joe Clark cautioned the Canadian public concerning the vulnerability of Canadian access to the American market. He stated that there were over 300 protectionist trade bills before the American Congress that could threaten over six billion dollars in Canadian exports and 146 000 jobs. The Globe and Mail, (9 February, 1986), p.
the former. When employed collectively, this eclectic presentation attempts to derive its strength. Free trade's journey to the top of government's economic agenda is a complex one. It cannot be adequately discerned as the sole product of state acquiescence to the business class, the capacity of state to make decisions independent of dominant societal interests, or events in international markets.
Chapter IV

Debt & Deficit Reduction
Chapter IV: Debt & Deficit Reduction

INTRODUCTION.

The Business Council's deficit and debt reduction initiative represents their most controversial endeavour to date. Political commentators have reserved their most vehement criticism for this particular venture. Considering the selection of authors that have undertaken a comprehensive analysis of the Council, such a statement may appear quite peculiar. Indeed, the free trade issue has been of principal concern to Maude Barlow. However, even in her analysis, the description of the BCNI's fiscal restraint campaign has assumed a most diabolical tone. Collectively, these authors have inferred that the Business Council on National Issues is responsible for the Canadian state's current fixation on public sector debt reduction. Their censure, however, is not grounded upon the Council's ability to position this issue on the state's macroeconomic agenda. Indeed, their wrath was spared for the organization's capacity to determine the priorities of the federal government. Unemployment, poverty and poor fiscal performance were now symptoms of a high public sector debt. To address this issue, the Council recommended that deficit and debt reduction should be accomplished by diminishing the financial commitments of the federal state. For the members of the BCNI, revenue enhancement provided a negative stimulus for private investment, and thus constituted an imprudent means by which to reduce government debt. In essence, these authors have suggested that the BCNI's fiscal restraint initiative has successfully changed the priorities of
governing. Consequently, the imperative assigned to deficit and debt reduction has exposed the entire gamut of the policy milieu to an austere interpretation of affordability.

The purpose of this chapter is threefold. First, the current imbalance between revenue and government expenditures confines the state's decision making capacity. The current impetus towards reducing government liabilities is partially attributed to the state's desire to liberate its decision-making capacity from the confines of a high public debt. Second, the depiction of the BCNI as an omnipotent power that has directed the state's identification and approach to fiscal restraint is critically examined. Third, the neo-liberal ideological perspective of the Conservative government provided a receptive host for the BCNI's overtures regarding deficit and debt reduction. In this respect, the Mulroney government's recognition of government debt as inhibitor to economic growth is indiscernible from that of the BCNI. However, the state's approach to this issue was markedly dissimilar to the proposal advanced by the Business Council. Ultimately, this chapter concludes that the current impetus for the reduction of accumulated government debt and annual deficits is the product interest group suasion, a Conservative government with neo-liberal inclinations and the economic environment.

THE POLITICAL ECONOMIC ENVIRONMENT.

The political economy of Innis and Mackintosh suggested that political evolution was inspired by conditions of the economic
environment. In their analysis, the export of such staple exports as codfish, fur and wheat determined the character of Canadian settlement, economic and political evolution. The application of old school political economy encounters little difficulty in its translation to debt and deficit reduction. Just as resource endowment conditioned political decision-making of the colonial and immediate post-confederation governments, financial considerations may influence the state's perception and response to problems of economic, political and social origin. This subsection suggests that the current impetus towards fiscal restraint is not reducible to the influence of a dominant class, or the independent action of a neo-liberal Conservative government. Rather, the momentum for government debt reduction had been conditioned by economic environment.

Recent political commentary has suggested that a debt consensus has emerged. That is, the imperative of reducing government debt has infiltrated the policy agenda of both levels of government. Both the federal and provincial governments have responded in kind. At the national level of government, privatization, the Goods and Services Tax and the Expenditure Control Plan have been implemented to reduce public sector debt. Similar combinations of revenue increases and expenditure reductions have been executed by the provincial governments.¹

¹ The following is a brief summary of recent efforts to reduce public sector debt by provincial governments in April and May of 1993. Manitoba: The Manitoba government announced that increased taxes and austerity measures would reduce the annual deficit by 1.2% from the previous year. Ontario: The government
Estimates, concerning the genesis of this issue vary. However, there is broad acceptance that the impetus for restraining the growth of public sector debt occurred during the Mulroney administration. In this regard, the evidence is mixed. The accumulated debt has increased steadily, while annual budget deficits have risen and declined during the Conservative government's reign. However, the most significant data is the operating deficit. This statistic indicates the difference between government expenditures and revenues for a given year. Since 1988, the Tory government has achieved a net operating surplus. Despite gains made in the operating deficit, the federal debt continued to

forecasted that the results of Social Contract negotiations, the elimination of 9,000 public sector jobs, the closure of 18 international trade offices, and 25 Ministry of Natural Resource offices would result in a $2.4 billion reduction in expenditures. Saskatchewan: In March, the province's government released details of its deficit reduction plan: health and education budgets were reduced by 2.8% and 4.0% respectively, income qualification for drug plan coverage was increased, sales tax increase be 1%, $320 million dollars in cuts in agricultural support programs. Newfoundland: Public sector payroll was reduced by $70 million, capital project funding was cut by $53 million. Quebec: Elementary and secondary education budgets were decreased by $103.6 and $49.0 million respectively, 3 126 public sector jobs eliminated, Health Insurance Board's budget reduced by $96 million.

Sources: Statistics Canada, Canadian Economic Observer (March, April 1993).

### Federal Deficit & Debt Statistics 1984–93

(millions of dollars)

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escalate. Thus, a concerted effort to reduce public sector should include strategy concerning the interest payments paid on the principal.

The collection of revenue, through income tax, consumption taxes and duties have represented some of the principal methods by which governments may honour its expenditure obligations. When financial responsibilities exceed revenue supply, the state may borrow money on international markets or print more currency. While disagreement concerning the most desirable approach abounds,

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N.B. 1993 statistics are projected. To date, data concerning the federal deficit and debt has not been released by the federal government.
the Conservative government has rejected the latter as prudent means to reduce the debt. The Mulroney government's economic philosophy suggested that because,

... the real rate of interest currently exceeds the economy's real growth rate, we have reached a point where normal growth in the economy is not in itself enough to pay the rising debt service charges on the debt. Thus, the economy would have to run faster and faster just to keep even with the rising interest payments on the growing debt.

References to this debt treadmill is a predominant theme in Tory economic statements. Their analysis suggested that the large stock of public sector debt has left the Canadian economy extremely vulnerable to even nominal increases in interests rates. The Conservatives' interpretation of the impact of debt on economic performance is not without its detractors. Indeed, the impact of government debt on economic performance is the subject of much debate. However, its impact on the state's decision-making capacity exists on less contentious ground. That is, governments cannot continue to spend more than it collects in perpetuity. Escalating debts and the dynamics of compound interest to increase accumulated liabilities, will inevitably constrain how the state may perceive and respond to its environment.

The above discussion suggests that the recognition of the

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public sector debt as limit of state decision-making autonomy has contributed to the recent debt consensus. However, a realistic assessment of the macroeconomic environment does exist in a vacuum. Class suasion, and the ideology of the Conservative government has conditioned the approach and identification of debt as an obstacle to economic growth.

DEBT, DEFICITS & THE BCNI.

Recent publications produced by Barlow and McQuaig have advanced the hypothesis that the recent urgency ascribed to the reduction of government debt, is the result of capitalist class influence. Specifically, these authors have suggested that the Canadian Debt Crisis is the artificial creation of the Business Council on National Issues. Barlow stated,

The current economic crisis is no accident. It is the planned consequence of policies executed since 1984 ... the Business Council on National Issues (BCNI), ... led by Thomas d'Aquino, set out to transform the Canadian economy.¹

The Business Council's motivation, in this regard, is simple-greed. A generous social policy, artificially stabilized employment demand and plethora of Crown Corporations and regulatory agencies has precluded the installation of market economy and curbed the prosperity of the capitalist class. Both Barlow and McQuaig assert that the business community in general, has been pining for the opportunity to launch an assault on the least desirable elements of

¹ Maude Barlow and Bruce Campbell, Take Back the Nation (Toronto: Key Porter Books Limited, 1990), p.11.
Canadian social policy and state intervention in the marketplace. Previously, a buoyant economy had diverted capital's attention from the issue of government debt. However, the imbalance of the state's fiscal ledger has provided the necessary justification to retract the state's presence from the market. McQuaig commented,

The deficit ... is portrayed as ultimate economic evil, the cancer that threatens to destroy the nation. It is the evidence presented by business and government leaders that we are living beyond our means, that the public sector has been allowed to grow out of control.¹

The interpretations provided by both authors is quite consistent with the principal tenets of dominant class analysis. That is, the public policy outputs of the state reflect the long term interests of the capitalist class. With respect to this chapter's subject matter, the dominant class perspectives of Barlow and McQuaig have suggested that the debt and deficit issue has been manufactured by the Business Council and implemented by a servant state. In this regard, the dominant class approach has focused on the BCNI's ability to position the fiscal restraint issue on the agenda, and influence the state's approach to public sector debt reduction.

Positioning Fiscal Restraint on the Agenda.

The Business Council has been an early and persistent advocate of debt and deficit reduction. In August of 1984, the Council issued a position paper entitled, "The Federal Deficit: Some

Options for Expenditure Reduction". This publication was released two months prior to the Mulroney government's first economic analysis. Both documents emphasized the need to address Canada's debt problem. High public sector debt was identified as obstacle to economic efficiency and growth. Specifically, the BCNI recommended across the board spending cuts between 7.6 and 10.9 billion dollars by the end of the 1987-1988 fiscal year. The projections of the federal government, in this regard, were a little less ambitious. The federal minister of finance, Michael Wilson, suggested that a

... reduction of $10-15 billion from the projected expenditure levels, phased in by the end of the decade, would be a prudent and realistic target."

The indications from the Conservative government, suggested that the government would pursue the course of fiscal restraint, gradually and cautiously. The elimination of waste was first on the Mulroney government's agenda. The Task Force on Program Review was commissioned to examine the entire spectrum of program

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¹ The Conservative government's publication, A New Direction For Canada: An Agenda for Economic Renewal was released in November of 1984.


¹¹ Canada, Department of Finance, A New Direction for Canada: An Agenda for Economic Renewal (Ottawa: November 1984), p.84.
expenditures. Its mandate was to identify and provide recommendations for the purpose of eliminating duplication, increasing efficiency direction, consolidating and simplifying the delivery of federal government services.

At least in its initial stages of development, there appeared to be fundamental congruence between the state and the Business Council, concerning the issue deficit and debt reduction. Public sector debt was recognized as an obstacle to economic growth, and the principal means to address the fiscal imbalance was to retract federal government expenditures. The intensity of the Business Council's fiscal restraint campaign waned after the release of their 1984 position paper. Issues such as competition reform and free trade appeared to occupy their resources. However, this issue would soon re-emerge. In October of 1990, Business Council on National Issues, the Canadian Chamber of Commerce, and the Canadian Manufacturers' Association issued a public statement concerning the national debt. Their recommendations included the immediate imposition of a two year cap on all federal expenditures. This

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11 Canada, Department of Finance, Report of the Task Force on Program Review (Ottawa: 1985). The task force was also referred to as the Nielson Report.

13 Larry Welsh, "Business urges government spending freeze," The Halifax Chronicle-Herald (12 October 1990), A.1. The group's recommendation for a "spending freeze" would actually reduce expenditures by the rate of inflation over the two year period. At that time, projected increases in inflation were 6% in 1991 and 4% in 1992. Thus, the recommendation for a spending freeze was actually a request for a 10% reduction in program expenditures over the duration of the cap. Terence Corcoran, "Business advice earns cold shoulder," The Globe and Mail (17 October 1990), p.B.8.
spending freezes, the group asserted, would improve the revenue-
expenditure balance, lower interest rates and restore investor
confidence. Speaking for the group, Thomas d'Aquino stated,

High debt contributes to high interest rates
and if that puts people out of jobs in Canada
and kills investment, it's important that we
know that.11

This public display is atypical of the BCNI's approach to public
policy advocacy. The 1990 federal budget had introduced a
comprehensive plan to control the growth of government spending.
The Expenditure Control Plan (ECP) capped a five percent growth
limit on the Canada Assistance Plan payments to the "fiscally
stronger" provinces of Ontario, British Columbia and Alberta.12
Additional measures to curb expenditures, included a two percent
cap on Crown Corporation budget increases, while some programs were
completely eliminated.14 For the Business Council, however,
limiting growth in some areas, and reducing or eliminating
expenditures in others did not constitute a satisfactory effort to
reduce public sector debt. The 1990 announcement may be

11 Larry Welsh, "Business urges government spending freeze,"

12 Canada, Department of Finance, The Budget (20 February
1990), p.12. Other transfers to the provinces such as
Established Programs Financing, and Public Utilities Income Tax
Transfer were frozen at 1990-91 levels for two years. (p.77-8).

14 Among the more prominent spending caps were Indian and
Innuet Programs, Defence, Official Development Assistance, The
Canadian Broadcasting Corporation, Telefilm Canada, the Export
Development Corporation, Marine Atlantic and Legal Aid Cost-
Sharing programs had their budgets frozen at 1989-90 levels. The
most significant cancellations were the Canadian Exploration
Incentives Program and the Polar 8 icebreaker project. Canada,
Department of Finance, The Budget (20 February 1990), p.71, 81.
interpreted as an attempt to intensify the Conservative government's commitment to reducing the national debt.

In 1991, the BCNI attempted a different strategy. The Council and the federal government hired the services of the Michael Porter, an economist at Harvard University. One of the tasks of his commission was identify conditions that impeded fiscal national competitiveness and prosperity. Among his many conclusions, Porter asserted that Canada's comparatively large national debt presented an obstacle to economic growth. He commented,

> Among G7 nations, only Italy has a higher government debt level. Servicing these massive debt obligations lowers Canadian income and places constraints on the ability of Canadian governments to maintain an environment that encourages investment and the upgrading efforts of Canadian industry.\(^{17}\)

More recently, the tone of BCNI publications has emphasized greater urgency concerning the reduction of public sector debt. Their recommendations remain consistent with those issued in 1984. Such recent publications as "Building A New Century Economy" and Canada's Looming Debt Crisis" have emphasized the severity of the federal government's debt. The Business Council has recommended that the debtload should be reduced through the retraction of government program expenditures. Increasing revenue through taxation, the Business Council asserted, established a negative stimulus for private investment, and stunted economic growth.\(^{18}\)

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latter document provided a more explicit rationale for government to resist the temptation of increased taxation as a means to reduce public sector debt. The Business Council contended that Canada's tax burden was already significantly greater than that existing in other industrialized nations. It stated,

... Canada already is saddled with a relatively high tax burden, measured against other industrialized countries. Tax revenues now equal more than 39% of the GDP, higher than the OECD average, and well above the levels in countries as the United States, Britain, Japan and even Germany. Note that taxes in the United States represent just 30% of the GDP.\(^\text{11}\)

The Council's message was a transparent one. In an environment where capital is increasingly mobile, the state must consider revenue enhancement with respect to the tax rates available in other nations. If the federal government were to pursue deficit and debt reduction through increasing taxes, the business community and the income and employment that it provides, may leave for more hospitable climates. The Conservative government, however, was not deterred. Their debt reduction strategy included both revenue increases and expenditure reductions.

With respect to the observations of Barlow and McQuaig, the evidence of a dominant class relationship between the BCNI and the Canadian state is inconclusive. Certainly, the timing and strategy

\(^{11}\) Business Council on National Issues, "Canada's Looming Debt Crisis And How It Can Be Avoided" (Ottawa: April 1993), p.25. This publication is a confidential document directed to the First Ministers.
of the Tory government was consistent with the recommendations advanced by the Business Council. However, consistency alone, does not necessarily confer the existence of class domination. Further review of the ideology of the state is required to comprehensively analyze the BCNI's fiscal restraint initiative.

**FISCAL RESTRAINT & THE CANADIAN STATE.**

Statist theorists, such as Block and Cairns, have suggested that private ambitions of elected and bureaucratic government officials provides sufficient incentive for the state to act independently of dominant classes or interest groups. In appearance, the principal tenets of dominant class and statist hypotheses are diametrically opposed. However, the decisions of the state need not necessarily be solely a product of class influence or independent state activity. Collectively, both elements may have some influence concerning the reflection of public policy outputs. This subsection examines the current impetus to reduce public sector debt through the statist hypothesis.

Previous chapters have suggested that the Tory government possessed a neo-liberal ideological bias. Their policy statements are permeated with references concerning the evils of "big

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government" and the efficiency of market decisions. The Conservative hierarchy was ideologically committed to reducing the presence of government in the marketplace. While representing a significant fiscal dilemma, debt and deficit reduction provided an excellent opportunity and justification to retract the scope of the federal state. Prior to his victory at the 1983 Conservative Party leadership convention, Brian Mulroney clearly demonstrated his conviction in neo-liberal economic principles. That is, the primary role of government was to facilitate conditions necessary for growth. He stated,

Governments at all levels must learn that they have no money— it is our money. They must, therefore, exercise frugality and prudence in its use, leaving as much as possible in the hands of the only wealth-producers and job-creators in Canada— namely the widget makers.\(^{11}\)

A similar ideological perspective emanated from Michael Wilson's Department of Finance. Economic growth, enhanced efficiency and national prosperity could be derived from reducing the role of the state. The Conservative government's publication, *A New Direction for Canada* stated, "Government has become too big. It intrudes too much into the marketplace and inhibits or distorts the entrepreneurial process." The philosophy of the Conservative Party elite conditioned the state's perception and approach to governing.

\(^{11}\) Brian Mulroney, *Where I Stand* (Toronto: McClelland and Stewart Limited, 1983), p.43. This statement represents only a portion of a long treatise on the virtues of private sector. His reference to widget makers refers, in general, to private capital.

High public sector debt was interpreted as a symptom of the cost of financing a government that been allowed to grow beyond usefulness. The key to restoring efficiency and reducing the debt was to retract the state's presence from the market. In this respect, the ideological bias of the Mulroney government was quite receptive to the Business Council's fiscal restraint initiative. While recognition of public sector debt was essentially similar, the Conservative government's approach and performance on debt reduction was markedly dissimilar than that advocated by the BCNI.

Approach & Performance.

Although Barlow and McQuaig provide no specific analysis of the Conservative government's performance concerning public sector debt reduction, their analysis implied that there is no discernable difference to the proposal advocated by the BCNI. However, the Mulroney government's approach to debt reduction consisted of tax increases and expenditure reductions. An examination of their strategy reveals both some significant similarities and discrepancies to the recommendations advanced by the BCNI.

In 1986, Michael Wilson announced that the government's deficit reduction program consisted of seventy percent in spending...

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cuts and thirty percent in revenue increases.

In itself, this announcement constituted a significant departure from the proposal advanced by the BCNI. However, the results of the Conservatives' plan magnified this discrepancy. The chart below indicates that the Tory government achieved its spending reduction performance projections in only one year. The Tory expenditure reduction

Revenue/Expenditure As A Percentage of Deficit Reduction

<table>
<thead>
<tr>
<th>Method/Fiscal Year</th>
<th>1985-86</th>
<th>1986-87</th>
<th>1989-90</th>
<th>1990-91</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure Reductions</td>
<td>92</td>
<td>57</td>
<td>52</td>
<td>45</td>
</tr>
<tr>
<td>Interest Saving on Debt Charges</td>
<td>06</td>
<td>10</td>
<td>13</td>
<td>25</td>
</tr>
<tr>
<td>Tax Revenue Increase/Decrease</td>
<td>-7</td>
<td>17</td>
<td>21</td>
<td>19</td>
</tr>
<tr>
<td>Tax Expenditure Reductions</td>
<td>09</td>
<td>16</td>
<td>14</td>
<td>11</td>
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</table>

has already been discussed. However, the Conservative government has contended that increasing revenue through taxation represents a component of their debt reduction strategy. In this respect, the Mulroney government's tax increases were disproportionately

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13 Canada, Department of Finance, The Fiscal Plan (February 1986), Tables 1.1, 1.2. The proportion of expenditure reduction to revenue increase as a percentage of federal deficit reduction was 92:08 in 1985-6, 57:43 in 1986-7, 52:48 in 1988-9 and 45:55 in 1990-1.

directed at the level of the individual rather the corporation.” Consequently, this may have appeased the members of the Business Council. However, the BCNI's documents have maintained that tax increases of any kind, constituted a negative stimulus to growth. Their philosophy suggested that consumer demand fuelled private sector growth, and the reduction of their spending capacity through increased taxation would be manifested in declining production and diminished corporate profits. The divergent approaches to debt reduction broke out in open hostilities after the release of the May 1985 federal budget. The Conservative government announced that the pensions of the senior citizens would no longer be fully indexed against inflation. The Business Council condemned the Tory government's action. In retrospect, Business Council President and CEO, Thomas d'Aquino stated, "... our opposition to it created a huge storm. It caused a major rift between the Mulroney government and ourselves". Perhaps, the most significant indication of the BCNI's frustration with the Conservatives' approach to debt reduction, is the Council's assessment of this initiative. On the occasion of its fifteenth anniversary, Mr d'Aquino recounted some of the association's successes and failures. Among their most significant disappointments was the fiscal restrain issue. He stated,

No disappointment has been greater than our

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17 Canada, Department of Finance, The Fiscal Plan (Ottawa: February 1986), tables 3.2 and 3.3.

failure to convince governments of the madness of fiscal irresponsibility. While it is true that in the battle against deficits and debt we have won some notable victories, we have in large measure have had to cede the battlefield to the big spenders."

Although there was fundamental congruence between the Mulroney Conservatives and the Council, concerning the issue of debt reduction, the government's approach and performance was significantly different from the recommendations of the BCNI.

CONCLUSION.

This chapter has advanced the hypothesis that the current impetus to reduce public sector debt is not reducible to class suasion. The momentum for this issue is best discerned through the interplay of several forces. Collectively, the economic environment, the neo-liberal ideology of the Tory government and the influence of the business community assumed a role in the emergence of deficit and debt reduction on the state's macroeconomic agenda. Consequently, the dominant class contention that the fiscal restraint issue is the sole product of the BCNI's influence, is inconclusive.

Chapter V

Competition Policy Reform
Chapter V: Competition Policy Reform

INTRODUCTION.

The Business Council's participation in competition policy reform remains an anomaly. Despite the attention conferred upon such initiatives as free trade and debt reduction, the BCNI's impact on competition policy revision has escaped comprehensive analysis. The published literature that does exist is limited in number and in scope. In this respect, the examination that follows will begin to permeate this void. The analyses provided by Barlow, McQuaig and Langille represent the most exhaustive explorations of the BCNI's influence to date. However, only the latter has attempted to address the subject matter of this chapter. Langille's analysis is typical of the dominant class interpretation of the impact of capital on state decision-making. He suggested that the members of the BCNI provided the initial impetus for competition policy amendment, and assumed the preeminent role in directing the content of the new legislation. In this regard, the state is portrayed as an amenable servant of the Council's interests.

The Business Council's impact on Canadian competition policy reform is best separated into two components. First, the BCNI's capacity to position competition reform on the state's legislative agenda is examined. Second, the Council's reform recommendations were unquestionably comprehensive. This subsection of the paper will explore the similarity between the BCNI's submission and the actual amendments produced in the legislation. Both sections are
united by the contention that the competition policy reform is most accurately discerned through the interplay of statist, political economy and dominant class hypotheses. Unquestionably, the Business Council’s influence was significant. However, the assertion that the new Competition Act is the sum total of the BCNI’s influence, is inconclusive.

POSITIONING COMPETITION REFORM ON THE AGENDA.

On 17 December 1985, Michel Cote, the federal Minister of Consumer and Corporate Affairs, tabled bill C-91 in the House of Commons. Officially titled, the Competition Act, the new legislation provided some significant adjustments to the enforcement and substantive provisions of the previous Combines Investigation Act. Its journey to the top of the government’s legislative agenda is a complex one. It occurred over a long period of time, and involved many different players, including the Business Council on National Issues. However, recent commentary has suggested that capitalist class interests provided the preeminent role in positioning competition reform on the state’s legislative agenda. David Langille has suggested that the Business Council had engaged in a comprehensive initiative to investigate competition reform prior to the federal government.¹ In essence, his analysis implied that the BCNI produced a completed version of the amended act before the government had an opportunity to conduct

its own investigation. While this does represent a total fabrication, this assertion indicates a selective interpretation of the antecedents leading up to the passage of the Competition Act.

For dominant class theorists, public policy in liberal democracies was the reflection of capitalist class interests. In this respect, the Business Council's competition reform proposal was interpreted as decree from the dominant class. David Langille commented,

The [BCNI] Task Force began drafting amendments to the Combines Investigation Act at least one year before the government issued its discussion paper on the subject. ... [the] Business Council members virtually wrote a new act and put it in the hands of the government.'

The author's inference suggested that the BCNI's proposal predated the Conservative government's decision to pursue competition policy reform. In a rather parochial context, Langille's assertion is quite correct. The Business Council on National Issues commenced its reform initiative in January of 1980.' The BCNI Task Force on Competition Policy was assigned the mandate to draft broadly acceptable amendments to the Combines Investigation Act.' To this end, the Council solicited the participation of such business associations as the Canadian Chamber of Commerce, the Canadian

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Manufacturers' Association, the Canadian Bar Association and the Grocery Product Manufacturers' Associations. However, in name, funding and coordination, the Task Force was principally a BCNI project. Sixteen months after its commission, the Council published a comprehensive review of Canadian competition policy. The report entitled, "A Consideration of Possible Amendments to the Combines Investigation Act," consisted of three principal components. The first section contained a review of the existing policy, followed by a second section that illuminated Council's recommendations for reform. However the final section, represents the most controversial portion of the BCNI's analysis. Contained within the Report's appendix, was a clause by clause presentation of the Business Council's reforms alongside the satisfactory remnants of the Combines Investigation Act.¹

The political momentum to amend the Combines Investigation Act occurred approximately ten years prior to the Business Council's creation. In 1966, the federal government commissioned the Economic Council of Canada (ECC) to prepare a comprehensive investigation into the capacity of existing competition law to,

... [protect] the interests of the consumer


¹ The appendix of the Council's report represent the most controversial element of this publication. Political commentary produced by such analysts as David Langille and Murray Dobbin have suggested that the Business Council on National Issues was the principal proponent of competition policy reform, and the author of the new legislation.
particularly as they relate to ... combines, mergers, monopolies and restraint of trade, patents, trademarks, copyrights and registered industrial designs.'

The ECC suggested that rapid changes in Canada's economic structure warranted a review of the Combines Investigation Act. In the post war economy, resource and agriculture industries had declined in importance. By 1950, manufacturing and service oriented enterprises had eclipsed the primary sector in employment and output. In its existing form, the Combines Investigation Act had few provisions governing competition in the service sector. Clearly, some legislative revision was required to respond to the new fiscal environment. The Economic Council of Canada published the results of their examination in July of 1969. This began, what W.T. Stanbury has referred to as, a protracted debate to reform Canada's competition policy.' The Liberal government, initially supported the proposals advocated by Economic Council. Two years after its publication, the government had incorporated many of the ECC's proposals concerning investigative procedure, mergers, combines, monopolies, restraint of trade, misleading advertising, criminal and civil liability.' However, Corporate Canada's


'Ian Clark, "Legislative Reform and the Policy Process: The Case of the Competition Act," Historical Perspectives on Canadian Competition Policy pp.228-31, and W.T. Stanbury, "Legislation To
response was swift and universally negative. Business associations such as the Canadian Chamber of Commerce urged its members to write the Minister of Consumer and Corporate Affairs and express their disapproval of the proposed legislation. In total, the government received two hundred and seventeen submissions from the Canadian businesses—almost all of which condemned the proposed legislation.\(^{11}\) The reaction from the business community proved sufficient to weaken the state's resolve, and the Liberal government compromised by separating bill C-256 into two component parts. Stage One amendments concerned the least controversial elements of the legislation.\(^{10}\) Stage Two amendments regarding terms of merger and abuse of market position were not resolved until the Conservative government of Brian Mulroney assumed power.

The new government interpreted their electoral success to be a mandate for change. Improving the federal government's relationship with the provinces and the business community constituted part of the Mulroney government's new approach.

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Additional emphasis was placed on restoring Canada's ailing economic performance. The uncertainty caused by the dispute over competition policy reform was interpreted as an obstacle to economic growth. Consequently, the resolution competition reform debate was quite congruent with the new government's philosophy.

The proceeding sections have examined the role of the Business Council on National Issues, and the Mulroney government in amending the Combines Investigation Act. However, the impetus for reform of this legislation predates both parties' entry into this debate. Successive judicial decisions revealed that the Act required comprehensive review. Consequently, the successful reform of competition policy, under the Mulroney government, represents the culmination of a projected initiative to amend this legislation.

The inadequacy of the Combines Investigation Act was perhaps most explicitly revealed in the case of Regina v. Atlantic Sugar Refineries Company Limited et al. Canada's sugar trade was controlled by three corporations. Collectively, Atlantic Sugar Refineries, St. Lawrence Sugar and Redpath Industries secured ninety percent of the Canadian market. Attempting to gain a larger portion of the consumer market, Redpath engaged in sugar price war in 1958. One year later, the sugar troika agreed to a truce. The terms of the pact included an agreement to fix prices

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and refrain from further competitive activity.\textsuperscript{14} In 1975, all three sugar refiners were charged with the violation of the conspiracy provisions of the Act. Section 32 of the Combines Investigation Act required that the Crown prove, beyond a reasonable doubt, that the plaintiff had intentionally participated in an arrangement to lessen competition unduly.\textsuperscript{15} Justice Mackay ruled, that parallel pricing did not prove a conscious attempt to inordinately fix prices.\textsuperscript{14} Government reaction to the decisions was swift and unabashedly negative. On 19 December 1975, Andre Ouellette, the Minister of Consumer and Corporate Affairs responded to the R. v. Atlantic Sugar Refineries et al judgment. He stated, 

\begin{quote}
I find this judgment completely unacceptable. I think it is a silly decision. I just cannot understand how a sane judge could give such a verdict. It is a complete shock and I find it a complete disgrace.\textsuperscript{17}
\end{quote}

The Atlantic Sugar case demonstrated the inadequacy of the Act to

\begin{footnotesrc}


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prevent unacceptable corporate activities. As a result, successive
governments assumed the arduous process of reforming the Combines
Investigation Act.

The proceeding analysis has suggested that the arrival of
competition policy reform on the government's macroeconomic agenda
has been a product of several forces. The impetus for revision was
engendered by business advocacy, a state devoted to removing
obstacles to economic growth and a series of judicial decisions
that had clearly illustrated that the existing legislation was no
longer effective. The subsection that follows, examines the BCNI's
influence in terms of its capacity to direct the nature of the
legislative reforms.

THE BCNI & COMPETITION ACT: CONTENT.

The Business Council's competition reform proposal was indeed,
comprehensive. Few sections of the Combines Investigation Act were
not subject to BCNI's scrutiny. Their recommendations encompassed
both matters of procedure, and the substantive regulations of the
Act. For the purpose of clarity, these issues are analyzed
separately. Dominant class, statist and political economy
hypotheses are employed to discern the congruency between Council
recommendations and revisions to Canadian competition policy.

Procedural Reforms.

The Council's predominant concern with existing competition
legislation was the procedure by which the Act was enforced.
Provisions that stipulated long prison terms for offenders represented a source of tension between business and government. For members of the corporate elite, the imposition of a monetary penalty was a preferable alternative to incarceration. Consequently, the Business Council recommended that the Act's criminal penalties be replaced with civil remedies. In this regard, the BCNI was reasonably successful. The Competition Act removed criminal sanctions for transgressions of the merger and monopoly regulations. However, a penalty of up to five years imprisonment was retained in the conspiracy and prohibited trade practices clauses.

An additional source of business anxiety was provided by the means by which investigations were conducted. The Combines Investigation Act assigned responsibility for policing the legislation's provisions to the office of the Director of Research and Investigation (DRI). For this purpose, the Director possessed a broad array of discretionary authorities. Among these powers, was the ability to enter and search the premises of firms or individuals under investigation, seize evidence and question witnesses. During the course of these inquiries, the DRI was not obliged to reveal the nature, scope or duration of the inquest. The members of the Business Council asserted that such draconian invasions into business activity was both unfair and unnecessary. The BCNI Task Force suggested that the investigative authority of

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the Director had superseded the power conferred to other law
enforcement organizations to curb criminal activity. It stated,

There is no apparent justification ... to
conclude that there is anything about the
relative public interest importance of, for
example, organized crime, that makes its
activities entitled to greater procedural
protection against the potential abuse of the
police power than are the activities of
businessmen.11

The Council's Report introduced several provisions with the intent
to make the Director more accountable to the Cabinet, the judiciary
and the subject of the inquiry. The Task Force suggested that the
minister responsible for the administration of this Act, should
possess overriding control over the activities of the DRI.12 The
Report reserves elaboration of this residual power for future
sections concerning the substantive provisions of the competition
policy. Additional recommendations concerned the means in which
DRI inquiries were conducted. The Business Council proposed that
the Director's investigatory regimen should be subject to judicial

11 Business Council on National Issues, A Consideration of
Possible Amendments to the Combines Investigation Act (Ottawa:
1981), p.11. Although it is not the purpose of this chapter to
criticize the amendments advocated by the Business Council, it is
interesting to note the ambiguous logic of the Task Force on
Competition. The BCNI's recommendation that criminal penalties for
violations of the Act should be replaced by civil sanctions. The
implication is that white collar crime is somehow more acceptable
than forms of illicit activity. Yet, the members of the Business
Council assert that the special powers possessed by the Director to
effect the provisions of the Act are deemed unfair.

12 Ibid., pp.9-10. The Task Force imprecisely assigns
application of the overriding power when matters involved public
interest, procedures of law.
sanction. \textsuperscript{71} Subjects of investigation should be made privy to the nature, scope, status and duration of DRI inquests. \textsuperscript{77}

By the Combines Investigation Act, the Restrictive Trade Practices Commission (RTPC) assumed responsibility for the supervision of the Director of Research and Investigation, and the adjudication of civil transgressions of the legislation. The BCNI Task Force asserted that the RTPC's relations with the office of the DRI may compromise the Commission's ability to make impartial judgments. \textsuperscript{72} The Council's recommendations also extended into the right of appeal. Existing legislation permitted convicted offenders to appeal decisions of the Restrictive Trade Practices Commission to the Federal Court, exclusively on points of law. Petitions concerning errors of fact were not granted access to the appeal process. To remedy this inadequacy, the Business Council proposed a two pronged revision. First, in order to be consistent with fundamental Canadian law, both errors of fact and point of law should warrant sufficient grounds for appeal. \textsuperscript{73} Second, on matters of "major national significance", the Council recommended that the


\textsuperscript{73} Business Council on National Issues, \textit{A Possible Consideration of Amendments to the Combines Investigation Act} (Ottawa: 1981), pp.18-9.
Cabinet retain the right to review, repeal or otherwise adjust the decisions made by the RTPC.\textsuperscript{13}

The new legislation reduced the Director's discretionary authority and introduced a measure of accountability to this office. Section 13 of Competition Act, required the office of the Director to secure the approval of a superior, county or Federal Court judge prior to the exercise of search or seizure authority.\textsuperscript{14}

The new legislation also heeded to the Council's proposal concerning disclosure. The Act also required the DRI to inform the subject(s) of inquests concerning the nature and scope of an investigation. The Act also demonstrated consistency with the BCNI's concern regarding the impartiality of the Restrictive Trade Practices Commission. The close working relationship, the Council asserted, may compromise the RTPC's ability to conduct objective inquiries.\textsuperscript{17} For this purpose, the new competition policy dismantled the Commission. Adjudicatory responsibility was now entrusted in the separate office of Competition Tribunal. Suspected transgressions of the Act were now to be submitted before

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\textsuperscript{14} Subsections (7) and (8) of Section 13 of the Competition Act permitted the Director or agent thereof, to exercise discretionary authority to enter the dwelling or seize documentation without a warrant if the Director could demonstrate that the delay required to complete such an application may result in the destruction or loss of evidence.
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a panel of three to five arbitrators. The Tribunal was to be chaired by a member with judicial experience, with remaining members coopted from associations representing business, labour and consumers. The new legislation also provided opportunity to appeal Tribunal decisions on questions of law or fact."

Substantive Reforms.

The substantive sections of the Combines Investigation Act established the standard for acceptable business practice, in Canada. Among these provisions, were regulations governing terms of merger, conspiracy, monopoly, and discriminatory trade practices. The member firms of the Business Council demonstrated interest in the enforcement and direction of revisions to this portion of the competition policy. As a result, the substantive provisions of the Act did not escape Business Council's analysis. The Combines Investigation Act provided a penalty of two years imprisonment for indictable offenses of the above provisions. Consistent with the Task Force's procedural reforms, the BCNI recommended the removal of criminal sanctions from the substantive sections of the Act, and the opportunity to appeal the decisions of the Commission to Cabinet."

"Significantly, the Business Council's recommendation that Cabinet should have the authority to repeal the decisions of the Restrictive Trade Practices Commission was not included in the powers conferred to the Competition Tribunal. Subsections (3) through (9) of Section 30 of the Competition Act stipulate the conditions and process of appeal.

"Ibid., pp.23-34.
Other than the repeal of criminal sanctions to the monopoly and conspiracy clauses of the Combines Investigation Act, the BCNI Task Force on Competition had recommended few amendments to these provisions. There is evidence to suggest that the Council had moderated the demands of its membership. Existing laws prohibited discriminatory pricing towards purchasers of the similar quantities of goods, and within established servicing areas. While the members of the Council believed that this provision should be repealed, the Task Force refrained from making such a recommendation. The Report states,

Many Business Council members feel that such restrictions breed cautious rather than a competitive attitude toward pricing to the disadvantage of the consumer and that such provisions should be repealed. ... However, as the price discrimination provisions of the current law were apparently wanted by small businessmen, it was felt that to threaten removal of these provisions would run counter to the consensus objectives of the Study."

This section concerning discriminatory pricing provides the first indication of dissension within the ranks of the BCNI's membership. However, rather than a manifestation of weakness, the inclusion of a dissenting opinion may be interpreted as an example of sound strategy. Previous discussion of Council initiatives had emphasized the organization's ability to present a united front to

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11 Ibid., p.7.
government, as a key component of their success. If the members were profoundly divided on the issue of discriminatory pricing, it is reasonable to suggest that the Council would have compromised, re-drafted or by other means appeased this source of objection. Through inclusion of the minority opinion, the Council may appear as a moderating influence while simultaneously revealing the desires of its dissenting members.

Merger, as defined by the Combines Investigation Act, was

... the acquisition by one or more persons, whether by purchase or lease of shares or assets or otherwise, or any control over or interest in the whole or part of the business of a competitor, supplier, customer or any other person, ...

However, mergers per se were not prohibited. The Act stipulated that violations of the merger provision occurred when decreased competition resulting from acquisitions that may have a "detrimental" impact on "consumers, producers or others". For the Business Council, the measure of competition policy was its impact on economic efficiency. The Report suggested that such economic superpowers, as the United States, had witnessed its hegemony challenged by new players in the international marketplace. As a comparatively small market economy, Canada's success was dependent on the development of a dynamic, progressive and competitive economy. To this end, the Business Council recommended that acquisitions resulting in gains in efficiency should be

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exempted from existing merger provisions."

The above discussion identifies the Business Council's recommendations for reform of the substantive provisions and procedural enforcement of the Combines Investigation Act. The ensuing sections will demonstrate the congruency, or lack thereof, between the Council's proposal and actual revisions produced in the new competition policy.

To date, analysis of the BCNI's impact on competition policy reform exists on relatively untouched terrain. Existing commentary has condemned the boldness in which the Business Council conducted its reform campaign, and the success it had in directing this legislation. Interpretations provided by David Langille and Murray Dobbin have vaguely asserted that amendments to Canada's competition policy replicated the proposals of the Business Council's Task Force. Murray Dobbin's recent profile of the Business Council on National Issues, suggests that the Mulroney government had allowed the Council to impose its reforms; unfettered. The author remarked,

... the BCNI put together a team of 25 legal counsels and produced a 236-page report. It was adopted, with few minor changes, as the government's new Competition Act."

Langille's discussion is equally critical of the Business Council's capacity to direct competition policy reform. However, for him,


the BCNI's success is in this endeavour, represents a predictable pattern of the Canadian State's acquiescence to the business class."

The commentary of Dobbin and Langille, are indicative of dominant class analyses. That is, the capitalist state assumes a prominent role in construction and preservation of conditions necessary for property accumulation. The decisions of government are interpreted as a reflection of business class interests. However, the closeness of this arrangement does not preclude the occurrence of intermittent disputes between capital and the state. Indeed, Nicos Poulantzas have appended traditional dominant class theories by advancing the argument that the state demonstrates a relative autonomy from business class. This capacity to act independently of the capitalist class, suggests that the state serve the long-term interests of capital by moderating destructive short-term desires." In this regard, the Business Council's participation in competition reform demonstrates some consistencies with dominant class analysis.

In June of 1986" seven years after the Business Council had initiated its campaign, final approval was issued to the


Conservative government's amendments to the Combines Investigation Act. The new competition law was actually the incorporation of two separate pieces of legislation. Terms of enforcement, were established by the Competition Tribunal Act, while the Competition Act included revisions to the procedural and substantive sections of the previous law. The Competition Act exhibited some extraordinary congruencies with those reforms advocated by the Business Council. However, this should not confer, that the new policy replicated the proposals of the BCNI's Task Force. Indeed, the new legislation contained some notable omissions. Although, Langille and Dobbin have acknowledged that the Act contained some dissimilarities to the Council's Report, these inconsistencies are dismissed as trivial variations. The section following will address the significance of these inconsistencies.

Statist doctrine advances the hypothesis that state representatives may act independently of established interests within a given society. Although such associations representing business, labour and consumers may have periodic influence on the direction of public policy objectives, the statist argument suggests that government actors possess the capacity and desire, to act autonomously of these constituencies. With regard to competition policy reform, the Business Council on National Issues had located a receptive, but independent proponent of adjustment in the Conservative government. Thus, comprehensive analysis of the amendments to the Canadian competition policy must account for the existence of parallel agendas between the BCNI and the Mulroney
government.

The Progressive Conservative Party interpreted their 1984 national election victory as a mandate for change.11 The unsatisfactory performance of the Canadian economy of the late seventies and early eighties was both a product of a global recession, and poor decisions of past governments. As a result, the Mulroney government placed a premium on removing obstacles to economic growth and efficiency. The Combines Investigation Act was determined to be a source of business instability12, and therefore, an object of the government's macroeconomic policy adjustment. In this respect, the agendas of the new government and the Business Council were synonymous. Consequently, the BCNI's justification to delimit legislative restrictions on merger activity on the grounds of improving economic efficiency, located a sympathetic audience in the new government.

The most significant omission in The Competition Act concerned permissible avenues of appeal. Throughout their report, the Business Council advocated that the Cabinet should possess the ability to repeal or adjust the decisions of the Restrictive Trade Practices Commission. Although the Commission was disbanded, responsibility for adjudicating the Act's civil and criminal provisions was respectively assigned to the Competition Tribunal and superior courts. The Federal Court of Appeal provided the only

12 Ibid., p.56.
course for the redress of Tribunal rulings. For dominant class theorists, the preclusion of one BCNI proposal may appear insignificant and quite congruent to the all encompassing confines of the relative autonomy of the state. However, for the Council, the Cabinet's ability to "override" the edicts of the Commission represented a significant failsafe mechanism. In its short history, the BCNI had established an amicable partnership with government. The nature of this relationship reached the highest echelons of national political authority." Legislation that prevented the Business Council from exercising this influence constituted a substantial forfeiture.

CONCLUSION.

This discussion has advanced the hypothesis that the reform of the Combines Investigation Act is best discerned through dominant class, statist and political economy doctrines. The Business Council demonstrated an extraordinary capacity to position this initiative on the government's macroeconomic agenda, and determine the content of the Competition Act. However, the new legislation did not constitute a replica of the revisions advocated by the Council. Within the Conservative government, the BCNI had located a sympathetic, but independent proponent of reform. Ultimately, the need for amendment was demonstrated by conditions of the

"Sam Boutziouvis, Interview, 4 August, 1993. during the course of this interview, Mr. Boutziouvis revealed that, "... most of Mr. d'Aquino's contact with government officials are at the Deputy Minister level or higher". 

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Canadian competitive environment. Decisions produced by the courts, provided a clear indication that the existing legislation represented an ineffective deterrent to prohibited forms of business activity.
Chapter VI

Conclusion
Chapter IV: Conclusion

This thesis represents a significant departure from the dominant class perspectives of Langille, Barlow and McQuaig. Such recent initiatives in trade liberalization, competition policy reform and fiscal restraint have been examined through statist, political economy and dominant class analyses. Consequently, the depiction of the Business Council on National Issues does not resemble the omnipotent representative of the capitalist class portrayed in previous interpretations. While unquestionably influential, Canadian macroeconomic strategy is not reducible to the relationship between the capitalist class and the state. The decision-making capacity of liberal democratic governments is the result of an interplay of forces. Ideological inclinations, the conditions of the environment and the influences of group or class suasion may have singular or collective impact on the judgement of the government. In this respect, there is no discernable method to quantify the autonomy of the state. The recognition that a political hypothesis cannot adequately account for the behaviour of the individual, the group or the state is not necessary an indication of a deficiency. Political models are abstractions from reality. By necessity, generalizations must be made to construct a coherent postulate. Concomitantly, by their very nature, hypotheses cannot account for the entire spectrum of human activity.

The membership profile of the Business Council essentially
guarantees that its voice will be heard by the state. However, the
credence invested in BCNI statements and position papers by
representatives of the government may never be known. However, the
comments of former cabinet minister John McDermid are particularly
illuminating. He stated,

... they are listened to, their reports are studied... but a measure of political realism
must be injected by the government.¹

The Business Council has been a useful subject to test ideological
gauntlet of business-government relations in Canada. Recent
comprehensive examinations of the BCNI, have suggested that the
organization yields extraordinary capacity to influence the
national agenda. The Canada-U.S. Bilateral Free Trade Agreement,
the 1986 Competition Act and the current impetus to reduce
government debt have been used as examples of Canadian state's
acquiesence to the capitalist class, and more specifically, the
Business Council on National Issues. While this paper has not
dismissed the influence of class on the government's decision-
making process, the activities of the Council cannot be adequately
discerned through the employment of dominant class doctrine. The
neo-liberal inclinations of the Conservative government conditioned
both their perception, and approach to governing. In this regard,
the federal state pursued a course that was subtly dissimilar to
the proposals advanced by the BCNI. The economic environment also
served to limit the options available to the state. Just as the
pioneering political economy works of Innis and Mackintosh

¹ Hon. John McDermid, Interview, (30 September 1993).
suggested that the staple influenced the development of Canada, dwindling trade options, an ineffectual competition policy and an unmanageable public sector debt have had a measurable impact on the policy responses of the state.

The most useful approach to discerning the BCNI's influence on the decisions of government is one that employs theoretical foundations selectively and according to the subject matter involved. Consequently, the capacity of the Business Council to determine the direction of macroeconomic strategy is best comprehended through an eclectic alliance of statist, political economy and dominant class hypotheses.
Appendices
Appendix A

BCNI Membership
BCNI Membership 1992–93

A
Air Canada (air transport)
Alberta Energy Company Ltd. (oil & gas)
Alcan Aluminum Limited (mining & processing)
Asea Brown Boveri Inc. (technology)

B
Bank of Montreal [finance]
Bank of Nova Scotia [finance]
Bata Ltd. (textile manufacturer)
Baton Broadcasting Inc. (television production)
BCE Inc. (management holding company)
Bechtel Canada Inc. (construction)
Bombardier Inc. (aircraft, parts & vehicles)
Brascan Ltd. (management holding company)
British Columbia Telephone Company (communications)
Brunco Inc. (holding company)
Burns Foods Ltd. (food products)
Burns Fry Holdings Corp. [finance]

C
CAE Industries Ltd. (electronic simulation systems)
Camdev Corp. (commercial real estate)
Canada Life Assurance [finance]
Canadian Imperial Bank of Commerce [finance]
Canadian Liquid Air (industrial gases)
Canadian Pacific Forest Products Ltd. (paper)
Canadian Pacific Limited (management holding company)
Canfor Corporation (pulp & paper)
Cargill Limited (agricultural merchants & processors)
Cassels Blaikie & Company Ltd. (investment managers & brokers)
Celanese Canada Inc. (chemicals, industrial fibres)
Cominco Ltd. (mining)
Commonwealth Construction Company (construction)
Confederation Life Insurance Company [finance]
Consumers' Gas Company Ltd. (natural gas distribution)
Coopers & Lybrad (accountancy)
Co-Steel Inc. (steel products)
CSL Group Inc. (hospital management)
Culinar Inc. (food products)

D
DMR Group Inc. (consultancy)
Deloitte, Hoskins & Sells Ltd. (management consultants)
Dofasco Inc. (steel)
BCNI Membership 1992-93

D
Dominion Textile Inc. (fabric, mills, finishers)
Domtar Inc. (packaging, pulp & paper)
DuPont Canada Inc. (fibres/chemicals)

E
Ernst & Whinney (chartered accountants)
Ethyl Canada Inc. (chemical production)

F
First Marathon Inc. [finance]
Ford Motor Company of Canada Ltd. (automobiles)
Fortis Inc. (electric utility)
Four Seasons Hotels & Resorts (hospitality)

G
Ganong Brothers Ltd.
Gendis Inc. (retailing)
General Electric Canada Inc. (electrical equipment)
General Motors of Canada Ltd. (automobiles)
Great-West Life Assurance Company [finance]
Guillevin Int'l Inc. (electrical & electronic products)

H
Hewlett-Packard Canada Ltd. (computers)
Honeywell Ltd. (electronics)
Hongkong Bank of Canada [finance]

I
IBM Canada Ltd. (information systems)
Imasco Ltd. (tobacco, restaurants, bakeries)
Imperial Oil Limited (oil & gas)
Inco Ltd. (mining & metals)
Interprovincial Pipe Line Systems Inc. (petroleum pipeline)
Investors Group Inc. [finance]
IPSCO Inc. (steel processing)
ITT Canada Ltd. (diversified)

J
Jannock Ltd. (building products)

K
Kaiser Resources Ltd. (aluminum, chemicals)
Kodak Canada Inc. (photographic & electronic equipment)
Kraft General Foods Canada Inc. (food processing)
Kruger Inc. (forest products)
BCNI Membership 1992-93

L
LAC Minerals Ltd. (gold mining)
Lafarge Corp. (cement, concrete products)
Lantic Sugar Ltd. (sugar refinery)
Laurentian Group Corp. [finance]
Livingston Group Inc. (freight & cargo)
London Insurance Group Inc. [finance]

M
Maclean Hunter Ltd. (publishing, broadcasting, cable TV)
Manalta Coal Limited (resource extraction)
Manufacturers Life Insurance Company Ltd. [finance]
Maple Leaf Foods Inc. (food processing)
Maritime Telegraph & Telephone CoLtd. (communications)
Marsh & McLennan Ltd. (insurance program management)
Mercer M (William) Ltd. (benefits consultants)
Mitsubishi Canada Ltd. (industrial equipment)
Mitsui & Company Canada Ltd. (dry goods, chemical sales)
Molson Companies Ltd. (diversified)
Mutual Life Assurance Company of Canada [finance]

N
National Bank of Canada [finance]
National Trust Company Inc. [finance]
Noranda Inc. (mining, pulp & paper, oil & gas)
Northern Telecom Ltd. (telecommunications equipment)
Nova Corporation of Alberta (gas & pipelines)

O
Oshawa Group Ltd. (food wholesaler & retailer)

P
PanCanadian Petroleum Ltd. (oil & gas)
Placer Dome Inc. (gold mining)
Power Corp. of Canada (finance services, communications)
Pratt & Whitney Canada Inc. (aircraft engines)
Price Waterhouse [accountancy firm]
Procter & Gamble Inc. (consumer products)
Procter & Refern Ltd. (consulting engineers)
Prudential Assurance Company Ltd. [finance]

Q
Quaker Oats Company of Canada Ltd. (cereals, baking mixes)

R
Raymond, Campbell, Belanger, Walton, Chabot & Willerts (chartered accountants).
BCNI Membership 1992-93

R
RBC-Dominion Securities Inc. [finance]
Reader's Digest Association Canada Ltd. (publisher)
Reed Stenhouse Companies Ltd. (international insurance broker)
Repap Enterprises Inc. (pulp & paper)
Rogers Cantel Mobile Communications Inc. (communications)
Rogers Communications Inc. (cable TV, radio)
Rothmans, Benson & Hedges Inc. (tobacco)
Royal Bank of Canada [finance]
Royal Insurance Company of Canada [finance]

S
Saskatchewan Oil & Gas Corp. (oil & gas)
ScotiaMcLeod Inc. [finance]
Scott's Hospitality Inc. (restaurants, stores & buses
Sears Canada Inc. (dept. stores, mail order catalogue)
Shell Canada Ltd. (oil & gas, petroleum products)
Sherritt Gordon Ltd. (nickel & cobalt)
Siemens Electric Ltd. (electrical/electronic products)
SNC Group Inc. (engineering)
Southam Inc. (newspaper, periodical publishing)
Standard Life Assurance Company [finance]
Skelco Inc. (steel)
Suncor Inc. (integrated oil)
Sun Life Assurance Company of Canada [finance]

T
Teck Corp. (mining)
Toronto-Dominion Bank [finance]
TransAlta Utilities Corp. (electric utility)
TransCanada Pipelines Ltd. (natural gas transmissions)
3M Canada Inc. (adhesives & sealants)

U
Uniliver Canada Ltd. (margarine, chemicals)
Union Gas Ltd. (natural gas)
United Westburne Inc. (plumbing & heating supplies)
Univa Inc. (food distribution)

W
Wajax Ltd. (diversified)
Westcoast Energy Inc. (natural gas transmission)
X
Xerox Canada Inc. (information technology)

Z
Zurich Canada [finance]
Appendix B

Economic Significance
### Performance of BCNI Membership: Top 100

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Profit</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>BCE Inc.</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>Bank of Nova Scotia</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Northern Telecom</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Bank of Montreal</td>
<td>5</td>
<td>11</td>
</tr>
<tr>
<td>Toronto Dominion Bank</td>
<td>7</td>
<td>20</td>
</tr>
<tr>
<td>Imasco Ltd.</td>
<td>8</td>
<td>14</td>
</tr>
<tr>
<td>TransAlta Utilities Corp.</td>
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<td>88</td>
</tr>
<tr>
<td>British Columbia Telephone</td>
<td>13</td>
<td>55</td>
</tr>
<tr>
<td>Imperial Oil Ltd.</td>
<td>14</td>
<td>23</td>
</tr>
<tr>
<td>PanCanadian Petroleum</td>
<td>20</td>
<td>69</td>
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<tr>
<td>Nova Corp. of Alberta</td>
<td>21</td>
<td>41</td>
</tr>
<tr>
<td>Power Corp.</td>
<td>24</td>
<td>18</td>
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<tr>
<td>Placer Dome Inc.</td>
<td>25</td>
<td>74</td>
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<tr>
<td>Molson Companies Ltd.</td>
<td>27</td>
<td>85</td>
</tr>
<tr>
<td>London Insurance Group</td>
<td>28</td>
<td>35</td>
</tr>
<tr>
<td>Great West Life Assurance Company</td>
<td>31</td>
<td>24</td>
</tr>
<tr>
<td>Consumers' Gas Company Ltd.</td>
<td>34</td>
<td>68</td>
</tr>
<tr>
<td>Royal Bank of Canada</td>
<td>35</td>
<td>3</td>
</tr>
<tr>
<td>Du Pont Inc.</td>
<td>41</td>
<td>139</td>
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</table>

Statistics are accumulated for the end of the 1992 fiscal year.
### Performance of BCNI Membership

<table>
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<th>Company Name</th>
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<th>Assets</th>
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</thead>
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<tr>
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<td>Noranda Inc.</td>
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<td>Interprovincial Pipeline Line Systems Inc.</td>
<td>46</td>
<td>107</td>
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<tr>
<td>Maple Leaf Foods Inc.</td>
<td>49</td>
<td>116</td>
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<tr>
<td>Union Gas Ltd.</td>
<td>51</td>
<td>92</td>
</tr>
<tr>
<td>Maritime Telegraph and Telephone Co. Ltd.</td>
<td>53</td>
<td>122</td>
</tr>
<tr>
<td>Xerox Canada Inc.</td>
<td>54</td>
<td>103</td>
</tr>
<tr>
<td>Scott's Hospitality Inc.</td>
<td>60</td>
<td>155</td>
</tr>
<tr>
<td>Rothmans, Benson &amp; Hedges Inc.</td>
<td>62</td>
<td>241</td>
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<tr>
<td>Alberta Energy Company Ltd.</td>
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<tr>
<td>Oshawa Group Ltd.</td>
<td>71</td>
<td>141</td>
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<tr>
<td>National Trust Company Inc.</td>
<td>75</td>
<td>71</td>
</tr>
<tr>
<td>Brunco Inc.</td>
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<td>161</td>
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<tr>
<td>Celanese Canada Inc.</td>
<td>79</td>
<td>166</td>
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<tr>
<td>Laurentian Group Corp.</td>
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<td>22</td>
</tr>
<tr>
<td>Univa Corp.</td>
<td>85</td>
<td>113</td>
</tr>
<tr>
<td>CAE Industries Inc Ltd.</td>
<td>86</td>
<td>134</td>
</tr>
<tr>
<td>Jannock Ltd.</td>
<td>92</td>
<td>237</td>
</tr>
<tr>
<td>Fortis Inc.</td>
<td>94</td>
<td>187</td>
</tr>
</tbody>
</table>

Statistics are accumulated for the end of the 1992 fiscal year.
Appendix C

Organization Structure
Business Council on National Issues

Executive and Policy Committee Members 1992-93

Thomas d’Aquino *
President and CEO
Business Council on National Issues

Peter J.G. Bentley *
Chairman and CEO
Canfor Corporation

David Morton *
Chairman of the Board and CEO
Alcan Aluminum Limited

J. Edward Newall *
President and CEO
NOVA Corporation of Alberta

Guy Saint-Pierre *
President and CEO
The SNC Group

William W. Stinson *
Chairman and Chief Executive Officer
Canadian Pacific Limited

Matthew Barrett
Chairman and CEO
Bank of Montreal

Andre Berard
Chairman of the Board and CEO
National Bank of Canada

Robert Brown
Chairman and Senior Partner
Price Waterhouse

Angus Bruneau
Chairman, President and CEO
Fortis Incorporated

Marshall A. Cohen
President and CEO
The Molson Companies Limited

* denotes executive committee member
Business Council on National Issues

Executive and Policy Committee Members 1992-93

Purdy Crawford
Chairman and CEO
Imasco Limited

David Culver
Honorary Chairman
Business Council on National Issues

Jacques A. Drouin
Chairman and Chief Executive
The Laurentian Group Corporation

William Etherington
President and CEO
IBM Canada Limited

Charles H. Manthro
Chairman, President and CEO
Dominion Textile Incorporated

Kerry Hawkins
President and CEO
Cargill Limited

R. John Lawrence
Chairman and CEO
Burns Fry Holdings Corporation

Gerald J. Maier
Chairman, President and CEO
TransCanada Pipelines

Ronald N. Mannix
Chairman
Manalta Coal Limited

Ken F. McCready
President and Chief Executive Officer
TransAlta Utilities Corporation

John D. McNeil
Chairman and CEO
Sun Life Assurance Company of Canada

Bertin F. Nadeau
Chairman and CEO
Univa Incorporated
Business Council on National Issues

Executive and Policy Committee Members 1992-93

Ronald W. Osborne
President and CEO
Maclean Hunter Limited

George Peapples
President and General Manager
General Motors of Canada Limited

Alfred Powis
Founding Chairman
Business Council on National Issues

Thomas H. Savage
Chairman
ITT Canada Limited

Allan R. Taylor
Chairman and Chief Executive Officer
Royal Bank of Canada

Frederick H. Teimer
Chairman and CEO
Stelco Incorporated

L.R. Wilson
President and CEO
BCE Incorporated

Jeannine G. Wood
Chairman of the Board and CEO
Gillevin International Incorporated
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Date of Birth: 29 December 1966.

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Double Major Political Science & Canadian Studies
Honours Bachelor of Arts

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Political Science
Master of Arts