

Book Review

Linda McQuaig

The Sport and Prey of Capitalists: How the Rich Are Stealing Canada's Public Wealth
Toronto, ON: Dundurn Press, 2019

Reviewed by Donald R. Officer

Linda McQuaig is the author of over 15 books largely focused on Canada's economic profile, concentrating on the decades following the second world war. She generally takes the perspective of the public interest and of all those citizens who are not privileged to be members of the country's corporate elite. Her reporting is always fair if rather selective.

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Countering the repeated chorus of promises heralding a shared prosperity "just around the corner" her stories tell of reflexive deference to wealth in the face of betrayal. Her books offer multiple variations on that theme. Yet they are not monotonous. McQuaig's writing reveals curiously unpredictable narratives filled with well-rounded characters and surprising twists. Contrary to belief, Canadian history viewed up close is neither bland nor without range.

Linda McQuaig's latest release is uncannily on target for the topsy-turvy Spring of 2020. *The Sport and Prey of Capitalists: How the Rich Are Stealing Canada's Public Wealth* is a thorough recounting of the seldom discussed achievements of publicly owned corporations in this nation's formative and adolescent years. The first part of the title is an excerpt from a statement by newly elected Ontario Conservative Premier Sir James Whitney on his victory in 1905. Shortly afterwards the Hydro-Electric Power Commission was created and chaired by the unstoppable Adam Beck, long-time principal advocate for public power in the province. Five years later electricity generated by Niagara Falls was electrifying southern Ontario.

Opposition to the whole concept was powerful and consolidated into a syndicate of powerful business interests which included Toronto financier Henry Pellatt, builder and resident of Casa Loma with its 98 rooms and surrounding estate. Remnants of the family compact, the old colonial aristocracy, were also opposed. Whitney also had to deal with disgruntled members of his own party. Soon murmurings of attacks on private "property rights" in the British press echoed across the ocean. South of the border the vexed attention of the powerful "water barons" was aroused. Those same powerful figures would continue to dominate American electricity generation until Franklin Delano Roosevelt came to office in his landslide 1932 victory.

Cheap power for everybody at a fraction of earlier commercial rates was not an easy sell despite the poorly researched and badly marketed campaign of its enemies. This has been the

pattern with most crown corporations operated by Canadian governments in various jurisdictions. Overall, Canadian citizens have accepted and welcomed well run public enterprises as part of a smooth-running mixed economy. They provide services or goods at scale where market size or distances between points of origin and customers discourage private investment.

Remarkably, considering what they were up against, many of these government run companies have flourished, accomplishing important critical objectives that shape the economy, society and Canada's international profile. Unfortunately for all of us, many of them sooner or later were brought down not by mismanagement or marketplace competition but by powerful private sector lobbies or surreptitious suppression of the voices that advocate their continuance.

In the decades following confederation as every Canadian child learns in school, the building of the transcontinental railway was the key to forging a nation out of a string of colonial settlements that had cropped up at different times and for diverse reasons. And so, with massive government backing and some back dealing, the Canadian Pacific Railway was born. What is less well known – I remember the situation being downplayed by my history teacher – is that a handful of undermaintained bankrupt regional lines were left to crisscross the provinces providing needed services but without the financial strength of connectivity the CPR offered.

To prevent the failure of these marooned lines from becoming financially disastrous for both provincial and national economies, the government of the day melded five of them together to create the Canadian National Railway. Early prospects were not promising. At least two still ran legacy networks predating the union of the provinces. Then a hero advocate emerged. Sir Henry Thornton took the helm in 1922 to transform a “national white elephant” as the shaky amalgamation had been dubbed, into a “svelte and agile tiger” in the words of Linda McQuaig.

Anxious, the nation's coalesced major business interests coalesced around the CPR to bolster its emerging monopoly status and its “destiny” to dominate what was then the most advanced form of transportation in Canada. But Thornton had other plans. An American engineer he'd been instrumental in creating the critical rail system ferrying British soldiers and supplies to the front during World War I. For this he'd been knighted and next successfully managed a major railway in Great Britain. After taking control of the CNR, Sir Henry toured the country listening to concerns and complaints while winning over employees and citizens with a visionary optimism.

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Throughout the twenties and beyond, innovations in rail travel like radio in the coaches and dining cars were introduced by the CNR. This bold move eventually became a major stepping-stone to the formation of the Canadian Broadcasting Corporation. I used to wonder why the CBC once maintained two floors of radio studios in Ottawa's Chateau Laurier until I learned the hotel had belonged to the CNR. From the start Thornton set out to increase employee pay becoming an advocate for minimum wages and decent working conditions for all workers. He rebuilt the essential stretches of the 35,000 kilometers of track, introduced multiple service innovations and boosted the morale of the largest employee base in Canada.

Ontario Hydro and The Canadian National Railway are the subjects of two of Linda McQuaig's detailed accounts in a book which recounts the success of crown owned businesses in building Canadian society while stabilizing and helping to equalize overall economic growth. That most of them faded or were eventually sold off is another story which McQuaig like many other reporters and critics of neoliberalism elaborates on more extensively earlier. See her previous works like *The Trouble with Billionaires* (2010) or *Billionaires' Ball: Gluttony and Hubris in an Age of Epic Inequality* (2012) which she coauthored with Neil Brooks. Before all those came her prescient 2001 title, *All You Can Eat: Greed, Lust and the New Capitalism*.

One of the great medical adventures of the 20th Century is the story of Connaught Laboratories. As McQuaig recounts it, the reputation of this proud Canadian institution originated with the pioneering work of physician John Gerald Fitzgerald who studied the treatment of infectious diseases at the Pasteur Institute in Paris and the University of Freiburg. Fitzgerald was appalled to discover many children dying of diphtheria not because no treatment existed, but because the cost of the existing made-in-New York antitoxin was exorbitantly priced and therefore only available to the very rich. Working from a dingy lab Fitzgerald was allotted in a University of Toronto basement, he perfected a serum he sold to the Ontario Board of Health for a sum so modest it made available the life-saving treatment for one fifth of the going rate. The Board extended the same deal to other provinces saving children in communities across Canada.

Predictably, druggists and the pharmaceutical industry put up resistance in the face of diminished profits. Some doctors were resistant too. Nevertheless, with the support of university board member Sir William Ostler and other benefactors the University donated seed money to fund the operation essentially entering a vitally important business operation for much of the coming century. Among the first to benefit were the poor immigrants of Toronto's infamous St. John's Ward. Not only did Fitzgerald and his team address the stew of infectious diseases that spread within and outwards from the slums of the city but pushed for adequate sanitation and reduction of contamination thereby laying the foundation for publicly supported public health.

During the First World War soldiers in the trenches contracted deadly lockjaw infections in high numbers from minor wounds. Connaught Laboratories, as Fitzgerald's growing public interest enterprise was soon to be christened, went into production to bring a timely life-saving anti-tetanus serum to the front. Eventually, the lab produced one-fifth of all the serums for the entire British army. After the war, demand for the high quality reasonably priced serums and antidotes created in Connaught Laboratories went world-wide. Profits permitted free treatments to Canadians and funded future research.

In 1920, Frederick Banting approached the Connaught team and was given the needed support and funding which would lead to the development of insulin and the first effective management of diabetes. Again, the model which Drs. Banting, Best and the rest of their team agreed to was far more modest financially than the aggressive profit taking standard pursued by the pharmaceutical industry. Connaught would continue to materially advance the cause of public health and play a low key but very important role in the development of the polio vaccine. Later near the end of the century through a series of maneuvers motivated by academic politics and market biased ideology, both the public health presence and public ownership of Connaught Laboratories were quietly ended, and the facility was swallowed up by big pharma.

In the last quarter of the last century which had begun with such promise for the cause of social fairness if not genuine equity, the common good found itself driven into full retreat. Several factors played a role in this. I've always been suspicious of any programs inaugurated by "social liberals" in power whenever there was no perceived societal or economic emergency to hold their feet to the fire. The collapse of the Soviet Union removed one such overriding threat, a spate of new trade deals another and the promise of unimaginable productivity introduced by swiftly moving new technologies took the pressure off. These seemingly positive developments had the unfortunate consequence of seriously diminishing effective oversight.

In his 2018 book *Can Democracy Survive Global Capitalism?* Robert Kuttner outlines a credible reframing that might explain multiple external influences which facilitated the creation of public corporations in countries like Canada. Kuttner's belief, and he provides ample evidence of it in his book, is that the equalization which public leadership in the economy provides was an exceptional situation. In his view, the period from the mid 1940's to the late 1970's presented just such an exceptional situation. During that time recovery from the decade of depression and the unprecedented production demands as well as the sacrifices required for the military campaigns in Europe and the far East brought competing interests within the liberal democracies together as never before. Ironically, at the same time effective government support in postwar reconstruction also convinced many in the private sector that the regulations that went with it were a hindrance to progress.

And then there was the pent-up demand of consumers and civil institutions as economies retooled and refocussed to meet the new priorities. As Linda McQuaig describes those times, they also required of Canada an enormous updating of an economy which had been devoted to answering the needs of armed forces and their supporting supply chains in overseas theatres of war. To meet both wartime and later transitional challenges numerous crown corporations were created or revamped to meet the core needs of a modern economy when capital was elsewhere more profitably invested. Private industry was dependent on public investment in both sectors and everyone knew it. Nearly fifty government owned corporations operated at the federal level alone including the CNR and Air Canada. But times were changing and in the late 1980's most of them were sold off to the private sector. Today roughly a dozen of any size and very few of the major actors remain in the federal portfolio.

Kuttner and McQuaig have different views about what is "normal" government intervention in a North American liberal democracy. That difference is in part due to the different view of history people tend to hold depending on which side of the 49th parallel they call home. More importantly for the ideas Linda McQuaig is advancing in this book she and Kuttner are selecting different slices of time to represent the norm.

For Robert Kuttner meaningful economic history begins in 1776 the year the American revolution began and Adam Smith's *Wealth of Nations* was published. A break with the old mercantile past kick-started by political turmoil and the industrial revolution are the markers for what really counts in this view. For Linda McQuaig the social upheaval of the late eighteenth century seems to mark a disturbing detour from real progress while the decades that took us out of the depression through the war years and into recovery that look more like the right and normal path for civilization and justice.

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In some senses, both authors are correct and are just taking different perspectives. However, the emphasis which McQuaig puts on the period when commerce and state were cooperating and the social order was more balanced offers the reader proof of concept for a fairer, realistic yet still vigorously productive future. Like Kuttner she recognizes the ascendancy of neoliberalism in the eighties as the turning point. In *The Sport and Prey of Capitalists* she describes how the use of the crown corporation is now unfortunately very different in character and purpose. The results of this new approach are also predictably different.

Before, after and during the great bailout of 2008-2009 government's role in financial affairs was on the surface a return to an active positive presence in steadying the marketplace. As her first example of the changed relationship, McQuaig describes the ongoing scandal of Highway 407 a needed road running across North Toronto which "folksy" austerity driven Mike Harris sold to a consortium in 1999 for just over a billion dollars. Harris's "Common Sense Revolution" erased a big debt from the province's books with a stroke of the pen. The highway project had started as a public private partnership before Harris's Progressive Conservatives came to power. Public private partnerships have always been a strange hybrid. Over time we've begun to notice they always seem to steadily bleed the public in the short run while effectively stripping away significant parts of the collective endowment in the medium to long run.

But 30 years ago the full implications of such scams was unclear to the average citizen. The other shoe dropped in the Highway 407 theft when it became clear that the road would eventually be worth 45 billion dollars before the first third of the 99 year lease the buyers had managed to extract from Ontario taxpayers. It seems we had extended these highway robbers a license to print money in the form of tolls without limit. It also seems the neoliberal blinders the North Bay golf pro wore would be paid for in spades by Ontarians for generations still unborn.

We've learned a great deal since then, right? Apparently not. Different party, different level of government, different era and this time the taxpayer has bought the bill of goods from private sector interests for extraordinary piles of our money with terrible financing terms almost sight unseen and no clue whether or not there'll be any demand for this cross country rickety white elephant in years to come. Today I'd venture it is way worse than worthless. Here I'm writing about the relentlessly controversial Kinder Morgan oil pipeline deal.

Yes, our current prime minister slapped down a cool 4.5 billion dollars to purchase a leaky conduit to extend through the mountains and pump a heavy crude product to port through a province opposed to the whole arrangement. Moreover, the nation remains deeply divided about the environmental impact and treaty rights – not unreasonable concerns. All this to bring a questionable product to what is currently a non-existent foreign market currently trading so low, sellers might theoretically have to pay users to take it. Fair enough, nobody expected COVID 19, but that's only the half of it. What compelled Canada's federal leadership to believe this could be a sensible solution?

Linda McQuaig and author Robert Kuttner a cofounder of “The American Prospect” have both researched and found dangerous weaknesses in the trade deals fashioned during the reassertion of economic liberalism. These treaties tend to sweep away existing provisions that preserve the character but also the wellsprings of community cohesion. Small and medium sized businesses are forced to close while larger enterprises must offshore to stay competitive. Trade treaties were seen as vital to stay competitive and protectionism was once again made a dirty word. Good or bad, the ruthless torrent of economic reorganization made everyone including economists accept it as inevitable. Any industries that would be spared full frontal onslaught from invasive international behemoths streaming over the borders had to be fought for hard and long to justify their exceptionalism.

Therefore, Canada’s crown corporations sold off or dissolved in the eighties could no longer point to successful records because it was presumed that they were just too local, small and yes, “unfairly” sheltered from global competition. Even when public companies were viable nationally or regionally, it was assumed they could not clear the high bar of international trade. As a writer, I remain disappointed with what happened to publishing in this and other countries.

Another huge element of our current dilemma is the rapid rise of inequality now reaching astronomical levels. Many scholarly and popular books on this subject have been written but one relatively succinct version is provided for all readerships is *Deep Inequality: Understanding the New Normal and How to Challenge It* by Earl Wysang and Robert Perrucci released in 2018. Recent developments might require us to re label the “new normal” as the “new-new normal” but not to quibble. The big insight these authors provided was the diagram they believe, well supported by discouragingly thorough metrics, better represents the structure of the developed world than earlier graphics. Traditional civilizations consisted of a class structure best represented by a three-tiered pyramid: bottom tier, relatively underprivileged at 60%; middle tier, getting by at 30% and the top privileged tier, the well to do 10%. This shape and these proportions stayed fairly constant as approximate representations since civilization on earth began thousands of years ago until well into the industrial era.

With the postwar period the pyramid became a diamond with the have-nots shrinking to roughly 10%, the middle portion ballooning to 80% and the top tier remaining a stable 10%. Those of us born into the beginning of this time of unprecedented equality did not foresee the third stage, a double-diamond structure with three tiers within the lower diamond diagramming the new working class consisting of 80% of the population. Less stable divisions now separate an excluded class at the lower diamond’s bottom and a comfort class at its top. Mobility exists within the diamond, but the greater pull is downwards as status becomes more precarious.

The top, smaller diamond is occupied by a credentialed class of managers and professionals topped by a super class of owners and employers and at the pinnacle, presumably, the notorious 1%. Together the small pyramid constitutes the 20 % identifiable as the privileged class an almost impenetrable bulwark against the bottom 80%. In theory this world is full of affluent citizens who know no fixed class or designation to maintain their places in the hierarchy. In fact the divisions are very difficult to break through unless of course you manage to utterly disgrace yourself in the view of the elite and take the express elevator down.

Money is the obvious barrier that divides the classes and with each passing day becomes ever more so. Cultural and educational opportunities which were once affordable or free are now costly and, de facto, exclusionary. To be admitted to the top 20% you must be credentialed or certified. These positions have pricey tickets attached, but also provide their holders with real power over specified segments of other peoples' lives. More importantly the duly authorized form an elite pretorian guard to keep the working class at a safe distance from the super class. Instead of castles and private armies, today's aristocrats use high prices and tax shelters, exorbitant tuition fees, gated communities and especially their well-guarded connections, inside relationships and intermarriage too to hold onto their extraordinary privileges.

Well maybe those last benefits really aren't that new. Status among members of the upper classes may be the biggest reason why publicly owned businesses in Canada were snuffed out, privatized or marginalized. In *The Sport and Prey of Capitalists* Linda McQuaig notes that public corporations keep costs down through various efficiencies and with modest salaries for management. The services they provide tend to form a brake on inflation, setting standards that private sector competitors must grudgingly attend to. That is how it is supposed to work.

Don't listen to the silver-tongued ideologues or financially savvy investors.

The cases of the postal services and the oil industry indicate otherwise in practice. To fully appreciate these lost opportunities, we need to look at the research behind *The Sport and Prey of Capitalists* book that identify glaring lost "what ifs" we totally missed out on. Did you know that in the days before banking was available to regular people with little or no property that the post office provided low cost savings, transaction services and credit to this population?

Dividing up the Canadian financial landscape the big six banks backed by the powerful Canadian Bankers Association continue to operate like oligarchs. Together they hounded the government repeatedly to stop the public banking services once offered through postal outlets once the only banking option available to workers and small communities. When the Harper government attempted to eliminate home delivery of mail a few years ago the public outcry stopped that idea cold. But Canada Post planners had a surprise for the cabinet.

What wasn't well-known and which Linda McQuaig uncovered as she researched this book is that the Corporation's management had developed detailed plans based on corporate knowledge from earlier days when the post office offered banking services. They were ready to resume postal banking in part as a way to offset the rising costs of home delivery. They had a good business case. Small communities suffered once again from diminished service in recent decades as the big banks had closed many branches across the country making it hard to conduct business outside cities and larger towns where all the full-service branches were located.

The story of the oil industry in Canada is one of huge opportunities, some exploited, some missed and some squandered. Alberta in particular was well situated in the decades when petroleum markets were expanding as the world seemed to have an insatiable thirst and only a limited supply. Eventually even the tar sands were opened for extraction of product, something that seemed totally unprofitable for the longest time before the boom years.

With today's pandemic induced collapse in economies around the world and most particularly the demand for oil, the oil sands project is unfeasible once more. However, neither that nor the Kinder Morgan purchase is the real tragedy. During the boom years Alberta's premiers tried to play a stewardship role keeping royalties high to justify rapid exploitation of a non-renewable resource while banking the province's share of the proceeds in a heritage fund for times when the wells would be dry or no longer profitable to operate. Unfortunately, later Alberta premiers were less prudent. With only 17 billion dollars remaining in the rainy-day account, falling prices from 2014 onwards meant the province would have to dip into its fund to supplement general revenues until, when the time came that the money was really needed, the Heritage Fund well had run dry.

Here's the real rub. All the while across the Atlantic oil rich Norway was building scores of offshore rigs. But Scandinavian Norway structured its industry differently. Instead of royalty revenue, the Norwegians drew their coinage from controlling ownership. This move gave that country far more leverage which they used aggressively in the interests of their citizens. When their oil and international demand for it was past peak, Norway was sitting on a trillion-dollar nest egg. Moreover, they had a majority share in a company with assets of a hundred billion dollars plus the value of the investments they made in their public infrastructure over the years. A cautionary tale of two jurisdictions for sure. The bottom line: don't listen to the silver-tongued ideologues or financially savvy investors who talk with feigned generosity about the potential for win-win arrangements.

A replicable way to reorient an economy.

That's really the takeaway of this book. Thank-you for reading this far. Linda McQuaig is a national treasure even if the powers that be do not treasure what she has once again given us. Many of today's investigative reporters are real Cassandras. They see no upsides and for all we know they may be right. I think of Jane Meyer who writes about the *Dark Money* behind the wholesale theft of America's promise or the power grab detailed in Nancy McLean's *Democracy in Chains*.

Referring to the other books cited at greater length in this review, I'd conclude that Robert Kuttner may be less pessimistic in asking *Can Democracy Survive Global Capitalism?* Earl Wysang and Robert Perrucci's *Deep Inequality: Understanding the New Normal and How to Challenge It* is more hopeful at times yet neither book's arguments offer evidence of a robust optimism.

The absence of the usual endless gloom and dashed expectations of most social critics make Linda McQuaig's writing more intriguing and hopeful in tone. Perhaps this is a Canadian thing. A few issues back I reviewed Gwynne Dyer's *Growing Pains* for this publication. His assessment of recent (pre COVID 19) disruptions was based on observation of the transient nature of crises which periodically unhinge the social order. He described the massive inequality and frustration among large segments of the population. The growth of populism and automation struck him as the biggest immediate threats. Recognizing our tendency as a species to manage crises in our darkest hours, he expressed his belief we will prevail again. When I spoke to him

after his lecture in Oshawa late in 2018, he defended his prediction by asserting we were due for a change.

Dyer's deployment of the silver lining cliché might not have gone down very well in a city that had just watched thousands of reliable well-paying jobs chopped from the local automotive industry payroll. Probably his positive hunch will indeed play out sooner or later as he asserts with caveats on the last page of his book.

McQuaig, on the other hand, delivers concrete proof in *The Sport and Prey of Capitalists*. Her latest book sketches out a replicable way to reorient an economy in real structural trouble. Both Dyer's and McQuaig's books were obviously written before the invasion of COVID 19, a game changer that concentrates attention for sure. Going forward governments will be forced to continuously intervene massively in economies and societies everywhere. Will they behave like a finger wagging nanny suppressing our impulses and fanning frustrations or will they emulate the expansive uncle tossing candy and trinkets at the kids until they slip into sugar induced slumber? Or maybe, just maybe, our leaders will instead lead by example as they do sometimes, and Linda McQuaig believes they could again.

About the Author:

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