

Tribute

**WITH MEL AT THE BIRTH OF LEFT NATIONALISM: THE ORIGIN OF THE
"WATKINS REPORT" AND *SILENT SURRENDER***

BY KARI POLANYI LEVITT¹

I first met Mel Watkins as a brilliant young economic historian teaching at the University of Toronto. As a newcomer to Canada, my studies at the University of Toronto were more on Geography than in economic history. As early as the 1950s, some Canadian business representatives—who could best be described as economic nationalists—were concerned that the heavy influx of American capital would affect our sovereignty and independent relations with the United States. One of these was Pierre Trudeau's Minister of Finance and then President of the Privy Council, Walter L. Gordon, and in 1968 he commissioned the brilliant, young economist teaching at the University of Toronto, Mel Watkins, to undertake a study on the validity of concerns regarding foreign investment in Canadian industry.

Watkins assembled a team of young Canadian economists, including the brilliant Montreal-born economist Stephen Hymer, as well as his friend and fellow University of Toronto professor, Abe Rotstein. The final result was presented as "The Watkins Report" on foreign ownership. Hymer and Watkins knew each other from their PhD program at MIT, where they studied with Professor Charles P. Kindleberger.

At about the same time, I was asked by my McGill colleague, Professor Charles Taylor, if I could conduct a similar study for the NDP. At that time there was a well-respected NDP economist who was in agreement with American economist Harry Johnson that concerns about foreign investment were misplaced, as any business investment, whatever the source, was bound to be beneficial. I was invited to contest this view and was happy to accept the invitation. The work was to be done on my own time and at my own expense.

The NDP had recently made a promise to succeed the CCF and it was expected that the Canadian trade union movement would be supportive in financing the newly created NDP. Canadian blue-collar industrial workers were mostly members of American, or so-called "international" unions. Canadian workers saw no problem with this affiliation and, in general, they

¹ We are grateful that Kari was able to provide us with this Tribute. Readers may not be aware but she is 96 years young and recovering from a stroke. She did not want to let the opportunity to recognize Mel pass her by. Kari Polanyi Levitt is Emerita Professor of Economics at McGill University, Montreal. She is known for her work on economic development and economic sovereignty, and in particular for her 1970 book *Silent Surrender: The Multinational Corporation in Canada*. She is also the literary executor of her father, the economic historian Karl Polanyi.

believed that American companies paid better wages and offered better benefits than Canadian owned businesses. In undertaking this study, I received a lot of help from NDP staff and also from a McGill colleague, Professor Eric Kierans, who was the former President of the Montreal Stock Exchange and former Head of the McGill School of Business.

Mel and I stayed in touch, but we did not share research materials. His work turned into the "The Watkins Report" and mine became the basis for my book *Silent Surrender*. My first concern was to explain to my NDP colleagues the difference between portfolio capital imports and foreign direct investment (FDI) in the form of the purchase or establishment of subsidiaries or branch plants of foreign companies. I did not know that Mel had supported the nomination of Jack Layton as Leader of the NDP, so I never discussed it with him. Jack Layton was a very likable person and became very popular, especially in Quebec. However, I was concerned that Jack Layton had never expressed support for socialism in any form. I decided to challenge him myself on the matter. I went to his office to ask how he could justify his statement that "I want to be Prime Minister of Canada." He said that it was obviously the desire of every politician to become Prime Minister, and I replied that yes, that is precisely the problem, because the leader of the NDP is not just another politician seeking political office, but rather represents an important courage in Canadian political life, a socialist courage. I think if you've got that, you've got the essence of the conversation. *While I never knew the reasons for Mel's support for Jack, I think he would have agreed with the substance of my position. It was what motivated our politics. His loss is a heavy blow to the Canadian Left.*