

"PRIVATE ENTERPRISE IN A CHANGING WORLD"

AN ADDRESS BY

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TO THE CANADIAN CLUB

TORONTO, ONTARIO

ON APRIL 10, 1967

Today I should like to discuss some aspects of private enterprise in Canada, and to do so in the context of the theme of the forthcoming congress of the International Chamber of Commerce, to be held next month in Montreal. The theme of this congress is "Private Enterprise In A Changing World".

Private enterprise -- or, if you prefer, the private sector of the economy -- does play a vital part in the success or failure of the economies of countries throughout the world. This function is of course greater in some countries than in others, and is constantly changing.

The task the congress has set itself is a basic one: to assess the vitality and validity of private enterprise as an economic system, to analyse its capacity to adapt in the light of rapidly changing conditions, and to determine how private enterprise can make its greatest contribution to economic progress, both in national and international terms.

This evaluation is a big job, and this 21st congress of the International Chamber of Commerce will be a big undertaking. The Canadian Council of the international body has been preparing for the meeting for the past two years. We expect to have some 2,000 delegates and visitors from over 40 nations taking part. They will devote almost a week, from May 13 to 20, to their task. The results of their deliberations are bound to have important and significant repercussions in the years ahead.

Now, in my remarks today, I am not in a position, of course, to prejudge these results. What I would like to do is to review some of the questions that have been chosen for consideration at the congress and then discuss a few aspects that are of particular relevance to us as Canadians.

The first consideration is the challenge to private enterprise as an economic system. The congress will consider the proposal that the benefits of private enterprise should be cast, not in terms of ideology and politics, but in terms of objective results: efficiency should be the measure of the system, not outworn political slogans. And, surely, in these terms, competitive private enterprise can hold its head high.

The second aspect of private enterprise to be considered is the complementary roles of government and private enterprise in promoting full employment, economic growth and monetary stability.

This question is extremely topical. For in most countries since the war there has been a far-reaching change in the concept of the economic role of the state. More and more, government conceives as a fundamental responsibility that it must ensure a high and stable level of employment, economic growth and monetary stability. This belief has brought about not only greatly increased government expenditures but greatly extended intervention in the affairs of private enterprise. In short, modern society has been embarking on a vast experiment of economic management, the aim of which is to guide the economy to specific goals.

This trend is, of course, obvious in Canada. I need only mention the Economic Council of Canada, the Department of Industry, the ARDA programs to assist regions lagging in economic development, the various provincial economic planning bodies, and so on.

What is critical here is that government and private enterprise co-operate on these national and provincial economic goals... And, I would stress, not only in terms of achieving them but firstly in terms of defining them. Government and private enterprise are -- and must be -- partners in the mutual effort to develop the economy. But this means both business and government must know and appreciate the competence and proper role of each and determine how they can most effectively work together in creative partnership. Existing and new methods of co-operation will be examined closely by the congress.

The third topic concerns the role of private enterprise in technological change. Few would deny that the most outstanding characteristic of the modern post-war era has been the rapidity and extensiveness of the changes brought about by scientific and technological advances. The transistor -- together with its solid state cousins -- has veritably revolutionized our post-war world. Just to take one example, the modern computer would have been impossible without the transistor and other solid-state developments.

But the transistor is just one scientific advance, of course, and I mention it for another reason than its sheer impact on society: it was also the product of research by private enterprise,

-- in this instance, by the telephone industry. As you may know, three scientists from Bell Telephone Laboratories received Nobel prizes for their work in creating the transistor.

Research and its impact on society will be main topics to be considered. What should be the respective roles of government and private enterprise in research and development? How can they work together to foster technological advance? In Canada the canadian government not only directly supports-research through the National Research Council and the Science Council, for example, but has for the past few years provided a tax incentive plan to stimulate research by private enterprise. How effective have these programs been? How can they be improved?

On a broader scale, the congress will also consider the contribution that private enterprise has made by utilizing technological advances to benefit society and the economy, and how this contribution can be enlarged in the future.

The changing shape of business will be the fourth subject. Private enterprise is not a static concept but is in continuous evolution. What are some of the current trends and what implications do these have for the future of private enterprise? Some of these trends seem to be the emergence of more and more firms with multinational activities, diversification of the products of individual enterprises, and a concentration of firms into larger and larger units. These trends, if continued, can have pervasive effects both nationally and internationally. The congress will try to determine what these effects may be and what should be done about them.

The question of the importance of private enterprise to the developing countries of the world is another aspect. This goes far beyond plans for aid such as the Colombo Plan in which Canada has long been a participant: it is more a problem of how private enterprise can be established in these developing countries so that it can play its proper role in developing their economies in co-operation with their governments. The importance of this problem comes a little into focus when we consider that half the world's population lives in a perpetual state of hunger or malnutrition where the average worker has less than the equivalent of \$100 income per year. To consider just one facet of this gigantic problem... How can you manage to educate these billions of human beings to the point where they can even participate in a modern industrial society?

The sixth and last question to be considered at the congress is the responsibility of the businessman to the community. Private enterprise, while adhering firmly to its belief that the profit motive leads to the greatest results and progress in terms of economic and social benefits, has traditionally accepted responsibilities going beyond the goal of profits -- and this to a greater degree in recent decades. But, increasingly, this responsibility extends more and more broadly into the community. And, indeed, the meaning of the community has been broadening over the years through the growth of international relationships and international companies. The congress will attempt to lay down guidelines defining the responsibilities of modern business to the community, in the widest sense.

Now I think you will agree that these six sub-themes are all of significance to us as Canadians and that the results of the congress should be of considerable interest and value.

It is obvious, of course, that each country participating in this congress will do so in the light of its specific circumstances. This is equally true for Canada, and I would like to conclude with a few observations about the Canadian scene that seem important to me as I prepare to take part in these deliberations.

Canada is one of the largest countries in the world, and it is happily endowed with great resources. This is true not only in terms of natural resources, which are immense and still largely untapped; but also in terms of people. In this country exists a unique combination of two founding cultures, each with its own distinct and valuable qualities, supplemented by peoples from many other countries and backgrounds. The potential of this blend of peoples to create a truly Canadian identity is generally recognized and I believe that more and more, through better understanding and knowledge, we are making progress in this regard. In this you can color me optimist.

Private enterprise has played a dominant role in the development of Canada from its inception. The C.P.R., for example, was instrumental in opening up this huge territory for settlement. And private enterprise generally has played a major role in the development of the economy over the years. Today our economy is about two-thirds private and one-third public. It should be noted, though, that the many crown corporations included in the public sector are not unlike private enterprise in operation and structure.

One of the peculiar problems facing Canada, however, derives from the degree to which the capital funds required to develop the strong private enterprise portion of the economy have come from abroad. Not unexpectedly, with Canada situated next door to the largest free enterprise economy in the world along a 4,000-mile boundary, most of this money has come from the United States. Of an estimated \$34 billion foreign investment, probably \$27 billion is from our neighbor to the south.

The equity investments invariably carry with them a multiplier of technical knowledge, managerial skill or other research and development values. Whatever the multiplier -- and a friend of mine valued the technical know-how at \$10 for every \$1 invested in his business -- we must not overlook the values of foreign equity investments.

The extent of American investment in Canada has increased greatly recently. In the last 10 years an average of one billion dollars a year has been added to United States capital invested in Canada, resulting in an overall control of Canada's productive capacity that now exceeds 60 per cent.

In my own Company, an interesting switch has taken place. When I started my telephone work 40 years ago, the American Telephone & Telegraph Co. owned 32% of our stock. Today this percentage has diminished to 2.2% but the A.T. & T. holds the same number of shares. Our equity growth in the meantime has enabled Canadians to greatly increase their holdings both in numbers and in per cent of total shares.

On the other hand, our U.S. debt has increased to 31% from zero % in 1950.

I suspect the growth in the Canadian economy in the future may permit this kind of change much more rapidly.

Although I recognize that U.S. subsidiary companies here are not necessarily free to so decide, nor is it always practical.

But the growth of U.S. equity investment in Canada has given rise, in some circles, to serious concern about loss of economic and political sovereignty. Needless to say, there is an extremely important debate going on now about this question, which is considered to be Canada's most important problem.

Experts in many fields are striving to resolve this serious concern of the day, and I do wish to urge that we must all carefully think it out and make up our minds where we think Canada should go in the years ahead with regard to this matter.

The Economic Council of Canada has indicated we could forego U.S. and other foreign investment only by accepting slower growth, less efficient use of our productive resources and slower advances in living standards. Assuming we accept this view, would our population be prepared to accept slower growth, slower advances in living standards for the sake of remaining Canadian?

It is said that the greatness of a nation depends upon the unifying factor of a national ideal in which every citizen may put his faith. Unfortunately, we Canadians appear to lack a sense of national purpose and identity.

Could a great and long sacrifice for the benefit of generations to come 100 or 200 years from now become the unifying goal for all Canadians? Is this the choice that could be of greatest advantage to Canadians in the long term?

Or would a continental economic and political union of some kind be of greater and more immediate benefit to the world even if we do not reserve as much for ourselves alone in the future?

Do Canadians envisage the possibility of becoming part of the great republic to the south as a pleasant and desirable one?

Or is a common market with the U.S. possible with continuing Canadian political independence?

Mr. Sharp has said that it is not inconsistent to be a nationalist and an internationalist at the same time. How do we reconcile our recognition of the interdependence of nations and our economic nationalism?

Should we consider the Swedish alternative of greater concentration of our productive resources in fewer industries and become more competitive in the world market through specialization.

These are some of the questions we must consider, carefully and quickly. We must decide on our goals -- what is to be the future of this country of ours -- and how to achieve them. These are not easy decisions, and not all of us will agree on the actions eventually taken. But we all have a right and an obligation -- I believe -- to contribute to a national consensus.

I would like to stress my personal conviction that all of us -- businessmen, politicians, professional men, whatever our occupations -- have a responsibility to hear all sides, to try to know what we are talking about, to be careful in the words we use. In short, we must try to generate more light than heat.

To summarize briefly, I have emphasized this problem of Canadian sovereignty in the context of the International Chamber of Commerce Congress because it relates directly to some of the aspects of private enterprise to be considered at this international meeting. Obviously, Canada -- if perhaps more affected than most -- is not alone in facing a situation where substantial portions of its economy are owned outside the country. I am hopeful that participation in this congress by many prominent Canadians will help to form a more accurate and informed conception of the real issues involved here.

Above all, I am confident that this congress will aid Canadian businessmen in identifying their proper and constructive role in this country's development and lead therefore to benefits for the total Canadian society -- and, together with the efforts of the representatives from other countries around the globe, towards a better world in which to live.