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The spatial concentration of domestic and foreign multinational corporate headquarters in Canada

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Article abstract

This paper examines the spatial concentration of corporate power in Canada and measures the regional imbalances that are presently so noticeable. Furthermore, since corporate power in many instances is becoming ever more synonomous with foreign control the research notes not only the spatial concentration of this control but the sectors of the economy that are effectively under foreign domination.

The paper intimates that those areas that house the headquarters of the giant multinational corporation are the net beneficiaries of the monetary strength, political leverage and technical expertise that these establishments have available to bring to bear in a wide variety of economic and political situations. It follows that if an area benefits from the presence of large corporations, and these same corporations are concentrated into particular regions then the possibility arises that certain "have-not" regions will have cause to feel left out of the mainstream of decision making that characterizes the economic and political well being of the entire nation. It appears that this joint problem of spatial concentration and sectoral domination by domestic as well as foreign corporations may be one of the many catalysts fostering both present-day Canadian nationalism and overt provincial sectionalism.

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THE SPATIAL CONCENTRATION OF DOMESTIC AND FOREIGN MULTINATIONAL CORPORATE HEADQUARTERS IN CANADA

by

R. Keith SEMPLE *

The Ohio State University, Columbus, Ohio

A few huge corporations, such as Bell Canada, Alcan, Loblaw, The Royal Bank, Ford and Imperial Oil dominate the Canadian economy. In terms of their sales, operating revenues and assets, they command much respect and wield tremendous power. Indeed, they are forces with which to be reckoned. In Canada, as in the United States, the trend toward increased corporate size has been accelerating since World War II and is associated with a maturing economic structure, modern technological developments and an unprecedented wave of mergers and acquisitions. This trend toward increased corporate size and power is indeed an integral part of an ever more complex way of life (Semple, 1973). For Canada and Canadians, the increasing influence and power of giant corporations are both a blessing and a source of concern. They are a blessing since they provide jobs and security, are technological innovators and have the monetary resources and administrative skills to undertake the risky and costly developments so necessary to Canadian well-being. They are a source of concern since their power is awesome and little understood, their corporate locations concentrated in a few key urban centres of the country and increasingly they are coming under the sway of foreign investors and business men (Galbraith, 1967).

Since corporate power is of growing concern (Levitt, 1970 ; Nadel, 1976 ; La Palombara and Blank, 1976), it is necessary to investigate the extent of its present spatial concentration. Moreover, since corporate power in many instances is becoming ever more synonymous with foreign control it is important to comprehend, not only what is the present aggregate concentration of foreign ownership, but also what is its extent by area of the country and by sector of the economy. This investigation begs a number of questions. Does corporate concentration produce undue social, political and economic power ? Does the great size of some corporations and the concentration of production and headquarters activities in a handful of commercial centres make competition and the beneficial aspects of corporate activity suspect ? More specifically, the present research investigates the premise that the regional concentration of foreign multinational ownership

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and investment in the Canadian economy is of greater magnitude than domestic investment and therefore, of greater potential concern to Canadians. A validation of this premise would appear to lead to some interesting conclusions regarding the future of additional foreign investment in Canada. Before this premise is analyzed, however, it is necessary to review major implications of corporate concentration.

AGGREGATE CORPORATE CONCENTRATION

The problems of aggregate concentration, the situation that occurs when a few large corporations dominate their respective class of economic activity are well known and hence, are only briefly summarized here. The concerns of the spatial concentration of corporate activity are less well known and are discussed in the following section.

With respect to aggregate concentration, Rea and McLead (1972) explain that within the two extremes of perfect competition and pure monopoly, sellers and buyers have some degree of power over total output and the price established in the market. They point out that the degree of effectiveness of this power depends upon the size of the individual seller's or buyer's contribution to total market supply or demand. Thus, firms that account for most of the sales of a commodity are likely to have considerable market power. This is what leads to the interest in measuring the concentration of sellers in a sector of the economy ; that is, the proportion of output, sales, revenues or assets accounted for by some proportion of the firms in the industry.

Agriculture and some of the service industries provide good examples of extremely low concentration, with a great many producing units supplying the total output of the industry. Such a market structure confers little, if any, market power on individual firms, leading to a situation approximating the ideal of « perfect competition ». The public-utilities industries (including transportation, communications, electric power, gas, and water) and the financial industries (notably banking and insurance) are all highly concentrated with a small percentage of the firms accounting for a high percentage of the total output. Other industries present a more complicated picture. Manufacturing, the only type of industry extensively studied with regard to structure, is an example of such a complex situation. A high degree of concentration can lead to excessive power and the belief that big corporations have excessive power has been expressed in a variety of ways by critics.

Jacoby (1973) has succinctly summarized the beliefs of the so-called *conventional critics.* The conventional critics argue that the domination of the economy by giant corporations gives managers discretionary market power to fix prices, products and outputs. This form of monopolistic or at least, oligopolistic power produces inefficiency, high prices, inflated profits and a loss in general public welfare. Moreover, they refute the argument that economic efficiency and economies of scale require giant firms and the present high levels of corporate concentration. These beliefs, perpetuated by economists like Blair (1972) are dismissed by Jacoby on the grounds that they are mere speculations about big business behavior and are not substantiated by practical experience nor do they consider the actual causes and effects of corporate size and concentration. Despite this anti-bigness, this anti-concentration syndrome, Jacoby attempts to convince us that the enlargements of the population, income, wealth and markets, as well as, the continuing advance of technology, have called forth organizations of increasing size to perform society's tasks. Large corporations, as well as labour unions, universities and government, have continued to grow along with the economy. He emphasizes that if society forces the dissolution of large corporate units, this may lead to a weakening of the structure that would otherwise produce economies of scale, enhance competition, expand markets and benefit consumers. Increasingly, he notes that enterprises, in order to survive, have become multi-plant, multi-product, multi-divisional and even multi-national. Business, indeed, has had to globalize to survive (Barber, 1970).

Williamson (1970) characterized these economies as arising from the horizontal (multi-divisional) expansion of the corporation or arising from the vertical (multi-stage) expansion of operations. Many advantages are possible from these two forms of expansion. [1]

Multinational corporations complicate an already complex situation (Perry, 1971). The emergence of the multinational corporation has been regarded with mixed feelings by domestic officials both of the investing and the host countries (Jacoby, 1973). The problem arises because the multinational is simultaneously associated with several nations owing obedience to their laws and paying taxes to their treasuries, yet having its own objectives and being responsive to top management that may be resident in another country (Litvak, Maule and Robinson, 1971). Indeed, some see in the multi-national corporation an instrument of irresponsible private economic power, or even an agent of economic imperialism (Godfrey and Watkins, 1970). [2]

SPATIAL CORPORATE CONCENTRATION

Spatial concentration like aggregate concentration may give rise to the same types of concerns expressed in the preceding section. The difference is that the impact is felt on a regional basis as opposed to a particular sector of the economy (Villeneuve, 1972). When markets are controlled by a small number of firms located in a few areas of a country and entry of new firms is difficult, the way is open for regional monopolistic price and output policies. The most basic and best known type of spatial monopolitistic policy is the regional price agreement (Wilson *et al*, 1965). This policy occurs when firms selling the same or related commodities to a region agree on the price they will charge, thus preventing a competitive bidding for business. [3]

Discrimination in favor of large, centrally located markets serves the purpose of giving these markets an advantage over those in more peripheral parts of the country. [4] It is possible that centrally located corporations may institute policies of local price wars, local price cutting and restrictive practices used to prevent new firms from getting a foothold, to drive out existing competitors, or to soften them up for a profitable merger.

Oligopolistic business can have important effects both on the regional distribution of income in a country and on the efficiency with which the economy operates (Rosenbluth, 1957, 1961). This implies that receipts from spatially concentrated firms that benefit from such policies are higher than they would be under more competitive conditions and these higher receipts are mainly reflected in higher profits and higher incomes of centrally located corporate executives. The benefits derived from spatial oligopolistic policies therefore, both in the form of profits and in the form of executive salaries, tend to increase the regional inequality of income distribution (Semple and Gauthier, 1972 ; Perin and Semple, 1976 ; Semple, 1978), to raise the proportion of income going to the top income groups and to foreign owners.

Oligopolistic policies also promote technical inefficiency in the firms enjoying monopoly profit. A good deal of the advertising and promotional activity which is fostered in oligopolistic situations represents a socially wasteful use of labour materials and capital, i.e., it induces irrational behaviour, neutralizes rival firms or tries to change buyers tastes. Also, monopolistic policies lead to economic inefficiency. [5]

There are many political and social implications resulting from spatial concentration. A tiny local firm has relatively little scope for influencing the technological, economic, political and social environment in which it operates. Rosenbluth (1961) emphasizes that in most respects it is either impossible for the firm to exert such influence or else the cost involved will exceed the financial benefit to be expected. However, as a firm grows and its size and power becomes more regionally concentrated, the range of aspects of the environment over which it can profitably exert an influence increases.

Large corporations find it worthwhile to engage in research, to devote a considerable expenditure to « public relations » and « employee relations », to operate training programs, to influence governments, educational institutions and media of mass communications. These are aspects of the firm's environment where no influence can be exerted unless the expenditure is large, and where such expenditure is not worthwhile unless the benefit to the firm is applied to a large output. The employment of specialized personnel for functions of this type is only worthwhile for firms operating on a large scale or for cooperating groups of firms. [6]

Political influence may also have a direct spatial impact. The function of influencing government activity is an increasingly important aspect of business policy. Although little is publically known about the way in which governmental processes are influenced in the interests of business corporations, many forms of persuasion techniques exist, ranging from political contributions and formal governmental briefs to the most informal of personal contacts. If concentration of business activity were low and business firms small, the exercise of political influence by business firms would not be in conflict with the principle of group organization to influence the democratic process. When, however, economic power is highly concentrated both spatially and aggregatively in large corporations, those in control of the corporations exercise political power far out of proportion to their number.

Public relations may also have a regional impact. Political influence is exerted not only directly but also indirectly by influencing the views of the electorate. Such influence is an important aspect of the increasingly important public relations activities of large corporations. Public relations activity has the objective of rendering the public sympathetic to the corporation concerned and to business in general, as well as to policies favored by business groups. A great deal of the influence comes through the media and is directed to selling goods. The influential media, however, are highly concentrated in a few key regions of the country and may be used to diffuse policies favored by large corporations.

There may also be a regional impact on social services and education. Large corporations donate funds to universities and other institutions. These corporations in turn are usually well represented by the placement of staff on the governing boards of these universities, hospitals and charitable institutions. Naturally then, the activities of these institutions are influenced by the corporate scale of values and those institutions in closest proximity to concenrations of corporate headquarters will be most affected.

Finally, there evolves a spatial concentration of a power elite (Porter, 1956). The members of this elite are composed of a small group of directors affiliated with the dominant corporations. These men hold a number of interlocking directorships in the dominant business and financial corporations. One feature of the economic elite in Canada is its regional distribution of its members from Toronto or Montreal, the major centres of traditional economic power.

THE UNIQUE POSITION OF CANADA

The discussion of aggregate and spatial concentration of corporations demonstrates that there are positive and negative aspects of concentration. From a purely Canadian viewpoint, it may be hypothesized that concentration in Canada ought to and will be greater than for example in the United States.[7] If concentration in Canada ought to be higher, then the positive and negative aspects also should be more pronounced. It should be kept in mind, however, that there are a number of complicating factors in the Canadian corporate structure. One involves the abnormally high proportion of large foreign concerns present within the market, and secondly the presence of large governmentally owned crown corporations.[8]

The contemporary problem for a country such as Canada appears to be the need for domestic corporations to expand within both the horizontal and vertical context, to the point where they can simultaneously serve the national interest, and successfully compete in a multi-national setting. That is, corporations in Canada have to be large enough to meet the costly demands of innovation, domestic and foreign competition, overcome the disadvantages of serving a small and spatially dispersed national market and at the same time run a successful business with an adequate level of profitability. These conditions imply that one way for Canadian corporations to successfully meet contemporary challenges is to expand until they achieve an oligopolistic market position within the domestic economy and with this position are able to direct enough wealth and power to successfully protect themselves and the domestic market from foreign inroads and control. It appears that for the immediate future the unique position of Canada will lend itself toward fewer and more geographically concentrated locations. This spatial concentration will take place in the largest centres of commerce and as a result these centres will continue more than ever to play a prominant role in the affairs of the nation. It appears that a small number of highly concentrated oligopolistic corporations concentrated in a few large commercial centres is to be the rule in the future. Foreign control, even more so, will continue in this direction. This is true because foreign direct investment will concentrate only in those sectors of the economy and in those selected commercial centres with the greatest economic advantages. [9]

In order to appreciate the contemporary situation in Canada, this study presents a detailed analysis of the spatial concentration of corporate power. Since real power in corporate management is situated at the head office level, a fact which is especially true for the most significant corporations, the concentration of these institutions alone is examined. Details of the levels of concentration of both domestic and foreign controlled corporations give a surrogate measurement of the regional concentration of power in Canada and aid in examining the premise that the regional concentration of foreign multi-national ownership in the Canadian economy is of greater magnitude than domestic investment and therefore, of greater concern to Canadians.

Toward this end, the study investigates corporate headquarter concentration in major Canadian metropolitan centres for 1973 and assesses this concentration with regards to foreign control in the same year. A simple concentration measure based on information statistics provides the basis for the present investigation.

THE SPATIAL CONCENTRATION MEASURE

The problem of measuring the spatial concentration of corporate headquarters can be viewed as involving the measurement of the information content of a system (Semple, 1973 ; Semple and Richetto, 1976). Total concentration occurs when system information content is minimized. Conversely, total dispersion occurs when information is maximized. The present analysis utilizes information statistics to measure the concentration of classes of financial, service and resource, and manufacturing corporate headquarters for the major metropolitan centres of Canada. The statistic derives from the well known equation :

$$H(Y) = \sum_{i=1}^{n} Y_i \log_2 (1/Y_i) \qquad (1)$$

where Y_i $(i=1,...N)$ is the proportion of the assets, revenues or sales of each of the classes of corporations within the financial, service or manufacturing sectors with respect to the corresponding total for that sector such that : $\sum_{i=1}^{n} Y_i = 1{,}0$. H (Y) may be thought of as a measure of dispersion with a range of $0 \leqslant H(Y) \leqslant \log_2 n$ (Semple and Scorrar, 1975 and Semple and Demko, 1977). By means of two simple manipulations this dispersion measure becomes a concentration measure with a range bounded by zero and 100. Call the concentration measure C (Y) and define it such that :

$$C(Y) = (1 - (H(Y)/\log_2 n)) \cdot 100 \qquad (2)$$

where $0 \leqslant C(Y) \leqslant 100$. When $C(Y) = 100$ total corporate headquarter class concentration exists. When $C(Y) = 0$ no concentration exists. The terms C_d and C_f used later in the analysis refer to total domestic concentration and that concentration attributable to foreign headquarters, respectively.

THE LOCATION OF CANADIAN CORPORATE HEADQUARTERS

For the year 1973 data are assembled for the three sectors of the economy, namely, financial, service and resource, and manufacturing as defined in part by the *Financial Post Survey of Industrials* and other financial journals.[10] The financial sector is divided into six corporate classes of banking (B), utilities (U), diversified finance (DF), life insurance (LI), management and holding (MH), and real estate (RE). The service and resource sector is divided into six classes also : namely, merchandizing (M), resource (R), transportation (T), construction (C), communication (CM), and miscellaneous (MISC). The manufacturing sector is divided into the nine classes of iron and steel (IS), food (F), forest (FT), non-ferrous metal (NFM), electrical (E), chemical (CHEM), beverage (BEV), general manufacturing (GM), and textiles (TEX).

For each of the classes, the largest corporations were ranked in size and assigned to the metropolitan centre in which their headquarters were located. For example, in the class of banking in the financial sector, all headquarters are assigned to either Montreal, Toronto or Vancouver. The assets for all banks whose headquarters are located in these cities are totaled.[11] If thirty-five percent or more of an individual corporation's assets are foreign owned, control is assumed and a record of this total is recorded.[12] Tables 1-3 and Figures 1 and 2 portray the statistics by sector, class, city and foreign ownership. The cities rank according to their absolute size. Metropolitan Toronto ranks first and Saskatoon twentieth. The 'others' category refers to all those smaller centres that have usually one small corporation that ranks toward the bottom of its class. The tables also provide summary totals of the assets, revenues, and sales by city and class and indicate the relative importance of each. The numbers in brackets refer to the extent of foreign ownership. Since the data are presented in a straight forward manner, a detailed examination is left to the reader.

Table 4 indicates the degree of corporate headquarter concentration for Canadian Urban Centres. C_d indicates the overall domestic concentration whereas C_f the concentration of that portion that is 35 percent or more foreign owned. $C_f - C_d$ is simply the difference of the two statistics. If the difference is positive, foreign ownership is more concentrated than overall and if negative, the reverse is true. The statistic indicates that in all but two classes, textiles and miscellaneous, the foreign concentration is greater than overall.

Table 1

The Assets of Financial Corporations by Class, Location and Degree of Foreign Ownership

Location of Headquarters	*B Top 10*	*U Top 35*	*DF Top 50*	*LI Top 20*	*MH Top 50*	*RE Top 40*	*Asset Totals by City*	*Foreign Percentage*
1. Toronto	38 227*	8 619 (726)	10 889 (2 027)**	8 295 (80)	3 474 (849)	2 612 (702)	72 116 (4 384)	6,08
2. Montreal	41 188 (599)	11,371 (1 145)	5 869 (104)	4 372 (85)	4 375 (987)	710 (710)	67 885 (630)	5,34
3. Vancouver	339	3 848	562		539	311 (47)	5 599 (47)	0,84
4. Winnipeg		1 616		2 205	759		4 580	0,00
5. Calgary		2 485	117		219	159	2 980	0,00
6. London			2 495 (529)	2 139	314	171	5 119 (529)	10,33
7. Windsor								0,00
8. Kitchener				1 588		27 (27)	1 615 (27)	1,67
9. Edmonton		1 644 (391)	96		117	154	2 011 (391)	19,44
10. Hamilton			171				171	0,00
11. Ottawa						335	335	0,00
12. Regina		874					874	0,00
13. Halifax		364	825			39	1 228	0,00
14. St. John's		1 187			81		1 268	0.00
15. Quebec			62	332			394	0,00
16. Chatham		367					367	0,00
17. Fredericton		501					501	0,00
18. Sault Ste Marie		46					46	0,00
19. Sarnia								0,00
20. Saskatoon					52		52	0,00
21. Other		95 (33)	91		679 (214)	62	927 (247)	26,64
Asset Totals by Class	79 754	33 017	21 177	18 931	10 609	4 580	168 068	
Foreign Asset Totals by Class	(599)	(2 295)	(2 660)	(165)	(2 050)	(1 486)	(9 255)	
Foreign Percentage	0,75	6,95	12,56	0,87	19,32	32,45		5,51

* Assets in $1 000 000 (1973)
** Foreign Assets

Table 2

The Revenues and Incomes of Service and Resource Corporations by Class, Location and Degree of Foreign Ownership

Location of Headquarters	M Top 75	R Top 50	T Top 35	C Top 25	CH Top 25	MISC Top 25	Total Income by City	Foreign Percentage
1. Toronto	10 684*	6 082	181	420	830	766	18 963	
	(2 866)	(5 347)**	(23)	(124)	(187)	(299)	(8 846)	46,65
2. Montreal	2 478	1,542	4 139	632	199	329	9 319	
	(297)	(1,476)		(515)	(29)	(243)	(2 560)	27,47
3. Vancouver	1 189	541	205	40	15	110	2 100	
	(95)	(138)				(110)	(343)	16,33
4. Winnipeg	2 789		62	278			3 129	
	(2 271)						(2 271)	72,58
5. Calgary	63	2 180	161	184			2 588	
		(1 912)	(64)				(1 976)	76,35
6. London	30			130	74		234	
				(130)	(74)		(204)	87,18
7. Windsor								0,00
8. Kitchener						66	66	
						(66)	(66)	100,00
9. Edmonton	154	48	66		24		292	0,00
10. Hamilton	43		36	61			140	
	(43)			(61)			(104)	74,29
11. Ottawa	811				84		895	0,00
12. Regina								0,00
13. Halifax								0,00
14. St. John's								0,00
15. Quebec	116						116	0,00
16. Chatham								0,00
17. Fredericton								0,00
18. Sault Ste Marie			46				46	0,00
19. Sarnia								0,00
20. Saskatoon								0,00
21. Other	172	811	98	274	14	430	1 799	
				(180)	(14)	(145)	(339)	18,84
Income Totals by Class	18 529	11 204	4 994	2 019	1 240	1 701	39 687	
Foreign Income Totals by Class	(5 572)	(8 873)	(87)	(1 010)	(304)	(863)	(16 709)	
Foreign Percentage	30,07	79,19	1,74	50,02	24,52	50,73		42,10

* Income and Revenues in $1 000 000 (1973)
** Foreign Income and Revenue

Table 3

The Sales by Manufacturing Corporations by Class, Location and Degree of Foreign Ownership

Location of Headquarters	IS Top 50	FOOD Top 50	FT Top 35	NFM Top 15	E Top 25	CHEM Top 25	BEV Top 15	GM Top 25	TEX Top 25	Total Sales by City	Foreign Percentage
1. Toronto	10 970* (8 279)**	4 819 (1 720)	1 365 (267)	2 815 (1 506)	1 753 (1 729)	900 (777)	764 (656)	930 (668)	95 (17)	24 411 (15 619)	63,98
2. Montreal	1 555 (419)	1 339 (685)	1 811 (100)	2 035 (1 996)	1 063 (450)	1,671 (1 562)	818	140 (140)	616 (90)	11 048 (5 442)	49,26
3. Vancouver	47	98	2 706 (932)	518						3 369 (932)	27,66
4. Winnipeg	92				61 (61)			45		198 (61)	30,81
5. Calgary		543								543	0,00
6. London		189						145 (51)		334 (51)	15,27
7. Windsor	2 193 (2 115)	29 (29)					462			2 684 (2 144)	79,88
8. Kitchener	135	177			175 (68)	129 (129)		126 (31)	37 (37)	779 (265)	34,02
9. Edmonton									20	20	0,00
10. Hamilton	1 206 (639)	152 (78)			336 (336)	172 (172)			44 (28)	1 910 (1 253)	65,60
11. Ottawa	62		161		30				55	308	0,00
12. Regina		642								642	0,00
13. Halifax		89								89	0,00
14. St. John's											0,00
15. Quebec			229							229	0,00
16. Chatham		163 (128)								163 (128)	78,53
17. Fredericton											0,00
18. Sault Ste Marie	377									377	0,00
19. Sarnia						456 (195)				456 (195)	42,76
20. Saskatoon		358								358	0,00
21. Other	452 (219)	345 (48)	509 (51)	246 (56)	135 (135)	29 (29)	52	290 (63)	84 (20)	2 142 (621)	28,99
Sales Totals by Class	17 089	8,943	6 781	5 614	3 553	3 357	2 096	1 676	951	50 060	
Foreign Sales Totals by Class	(11 671)	(2 688)	(1 350)	(3 558)	(2 779)	(2 864)	(656)	(953)	(192)	(26 711)	
Foreign Percentage	68,30	30,05	(19,91)	63,38	78,22	85,31	31,30	56,86	20,19		53,36

* Sales in $1 000 000 (1973)
** Foreign Sales

Figure 1

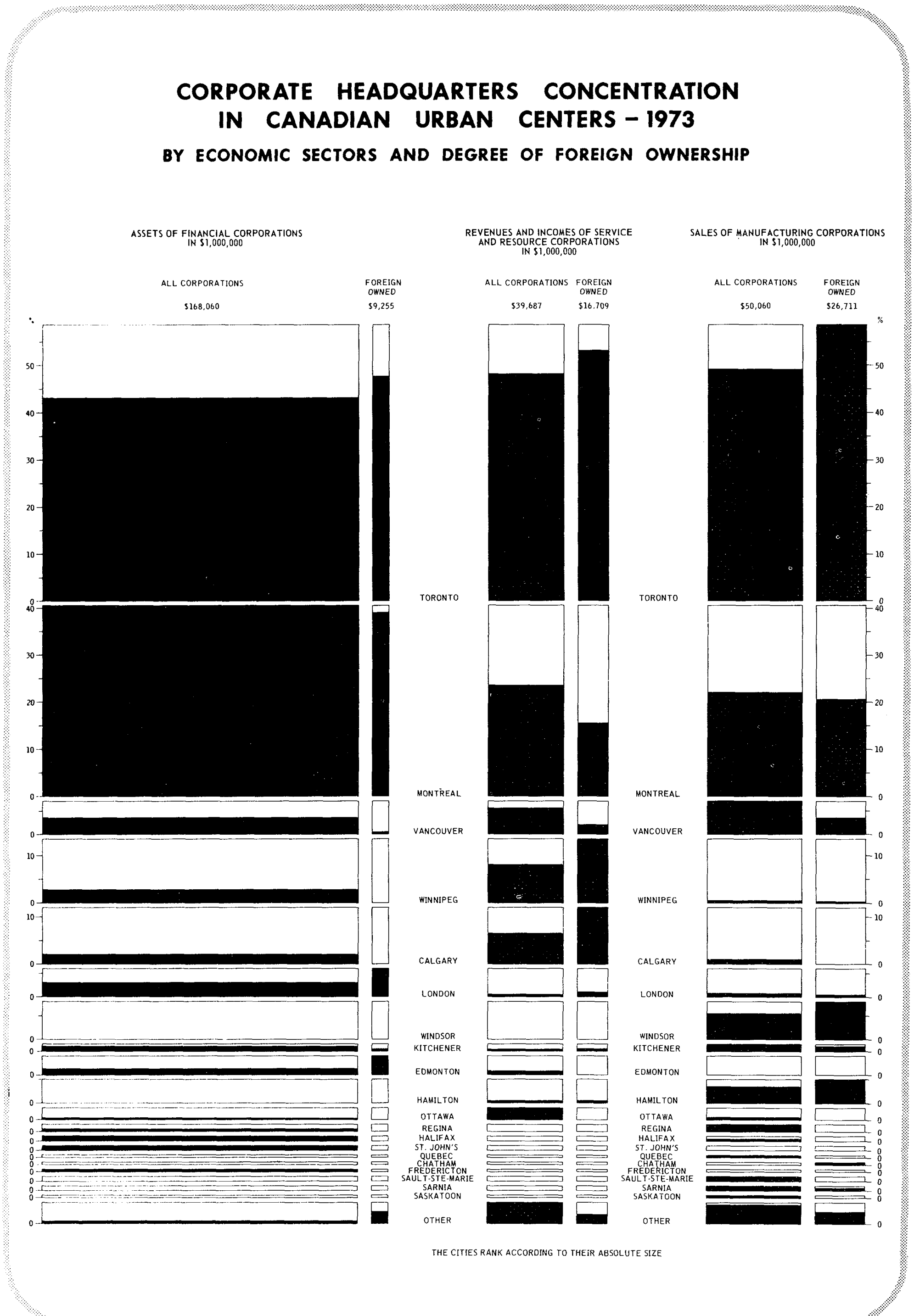
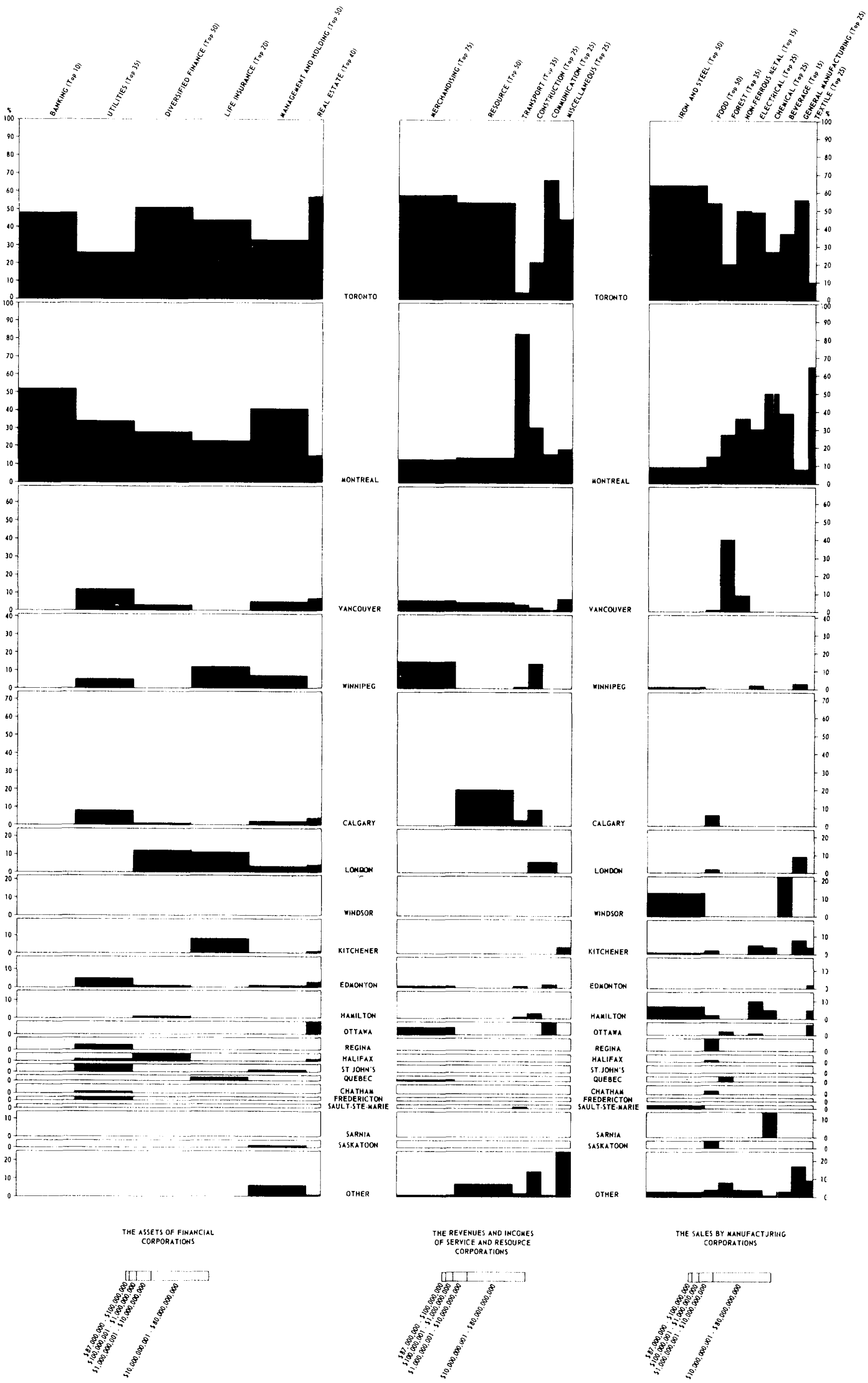

CORPORATE HEADQUARTERS CONCENTRATION
IN CANADIAN URBAN CENTERS – 1973
BY ECONOMIC SECTORS AND DEGREE OF FOREIGN OWNERSHIP
ASSETS OF FINANCIAL CORPORATIONS IN $1,000,000
ALL CORPORATIONS
$168,060
FOREIGN OWNED
$9,255
REVENUES AND INCOMES OF SERVICE AND RESOURCE CORPORATIONS IN $1,000,000
ALL CORPORATIONS
$39,687
FOREIGN OWNED
$16,709
SALES OF MANUFACTURING CORPORATIONS IN $1,000,000
ALL CORPORATIONS
$50,060
FOREIGN OWNED
$26,711
%
TORONTO
MONTREAL
VANCOUVER
WINNIPEG
CALGARY
LONDON
WINDSOR
KITCHENER
EDMONTON
HAMILTON
OTTAWA
REGINA
HALIFAX
ST. JOHN'S
QUEBEC
CHATHAM
FREDERICTON
SAULT-STE-MARIE
SARNIA
SASKATOON
OTHER
THE CITIES RANK ACCORDING TO THEIR ABSOLUTE SIZE

Figure 2

SPATIAL CONCENTRATION OF

THE LOCATION OF CORPORATE HEADQUARTERS AND



FOREIGN CONTROL IN CANADA 1973

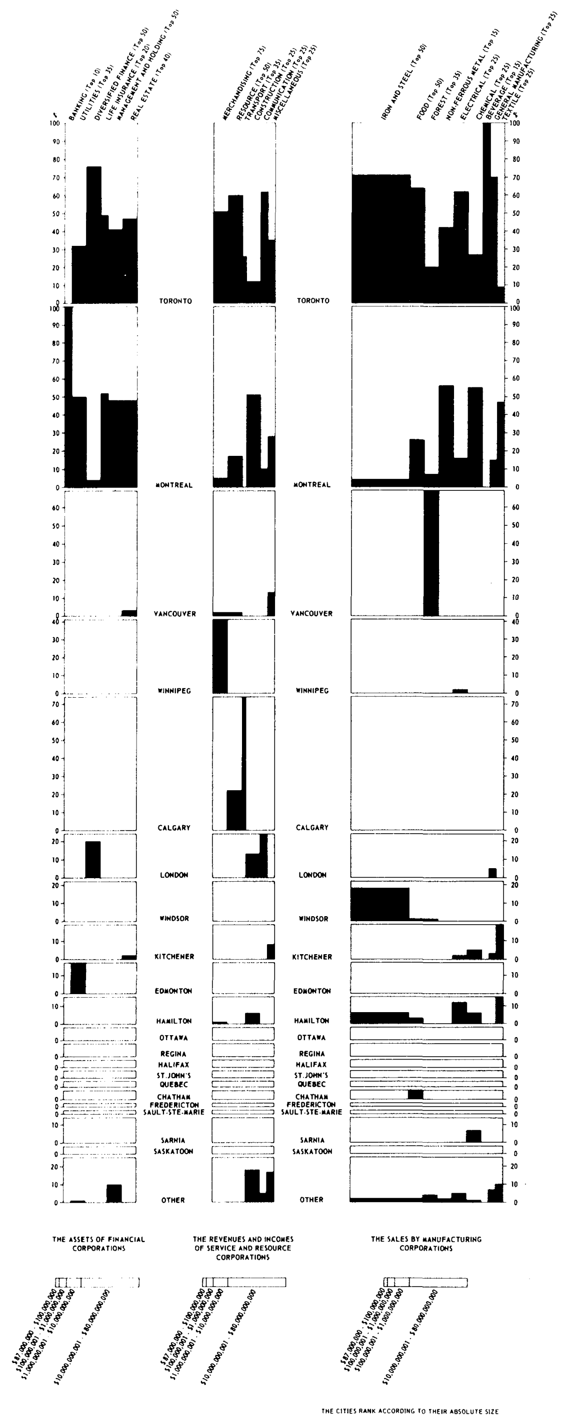


Table 4

The Spatial Concentration of Corporate Headquarter Locations in Canada

Financial Sector: Asset Concentration

Concentration Index	*B*	*U*	*DF*	*LI*	*MH*	*RE*	*Total*
C_d	76,34	41,80	57,09	51,50	49,20	46,10	45,20
C_f	100,00	64,77	78,49	77,25	68,67	70,78	61,94
$C_f - C_d$	23,66	22,97	21,40	25,75	19,47	24,68	16,74

Service and Resource Sector: Revenue Concentration

	M	*R*	*T*	*C*	*CM*	*MISC*	*Total*
C_d	57,69	57,93	74,28	40,49	64,12	56,37	48,16
C_f	68,10	67,17	81,04	55,95	66,91	51,33	53,51
$C_f - C_d$	10,41	9,24	6,76	15,46	2,79	–5,04	5,35

Manufacturing Sector: Sales Concentration

	IS	*FOOD*	*FT*	*NFM*	*E*	*CHEM*	*BEV*	*GM*	*TEX*	*Total*
C_d	59,37	45,99	52,70	64,84	56,77	58,10	61,89	55,96	59,29	43,74
C_f	70,19	67,09	70,65	75,22	61,67	59,86	100,00	67,86	53,88	50,56
$C_f - C_d$	10,96	21,10	17,95	10,38	4,90	1,76	38,11	11,90	–5,41	6,82

This fact confirms the premise that foreign corporate headquarters in Canadian cities are more concentrated spatially than headquarters in general. This greater concentration is attributable to a number of causes. Foreign corporations tend to locate their headquarters in the largest centres ; those with the greatest accessibility, purchasing power and growth potential. While this is true in general for domestically owned corporations, historical and inertial factors tend to promote a more dispersed location pattern. In some corporate classes, especially in finance, legal restrictions have permitted only token foreign participation. For example, in banking, only the Mercantile Bank of Montreal is permitted any foreign ownership.

Other classes of corporate headquarters are governmentally controlled and tend to locate in centres of political decision making. Utilities provide an example of one such class where private and foreign ownership exist together with the inevitably higher levels of foreign concentration resulting. Resource oriented corporations tend to locate in financial centres like Montreal or Toronto or closer to the particular resource such as the petroleum industry in Calgary. Again, the foreing concentration component is greater than domestic.

Those centres that are growing most rapidly tend to attract heavy foreign involvement in the construction and management and holding fields. Large corporations tend to bid on big jobs with high catalogue prices. Since the big tag contracts are associated with large cities, foreign companies concentrate where the action is. This is especially true for manufacturing corporations.

Many domestic corporations serve only a local market and hence, have headquarters located in regional rather than national cities. Foreign corporations, however, tend to locate in nationally oriented centres. This explains the scarcity of foreign headquartered firms in the Maritimes.

Since foreign corporations, like many of their more progressive domestic counterparts, locate in large nationally oriented metropolitan areas the gap between 'have' and 'have-not' areas of the nation is widened. This corporate location discrimination against the more remote regions tend to promote suspicion, hostility and even distrust. The peripheral centres feel 'left-out'. As a result regional centres, especially in the Maritimes, still welcome foreign investment while other areas, most notably Ontario, discourage foreign control and welcome foreign investment only when it brings 'significant' benefit to the economy.

CONCLUDING REMARKS

This paper is an initial investigation designed to explore the implications of the spatial concentration of domestic and foreign multinational corporate headquarter locations in Canada. More specifically, the paper verified the premise that foreign owned corporations are spatially more concentrated in Canada than their domestic counterparts. Of perhaps more significance, however, the research summarized the unprecidented degree of foreign control of key sectors of the economy in Canada. This is especially true of the manufacturing and service and resource sectors where 53 and 42 percent, respectively, are in foreign control. Indeed, the top five corporations all have substantial American ownership (Watkins, 1968 and Safarian, 1973). For example, Ford (87%), General Motors (100%), Imperial Oil (69%), Chrysler (100%) and Alcan (48%). The first four have national headquarters in Ontario and all are multi-billion dollar corporations. Indeed, the top 50 Canadian industrial corporations reads in part like « Who's Who » of American industry (Safarian, 1969).

In conclusion, it appears that corporate control, in general, and foreign control, in particular, is substantially associated with large oligopolistic corporations with high levels of spatial concentration. The implies that decision making within Canada is becoming ever more restricted to those who control the largest corporations which themselves in turn, are restricted to a few geographic centres. This situation, it has been shown, has both restrictive and benefical implications for Canada. It is interesting to note that these implications whether desirable or undesirable would be less likely to exist if control were embodied in many firms in a dispersed pattern across the country, actively engaged in price competition and fully subject to the discipline of the market.

NOTES

[1] Horizontal expansion normally reduces the amount of information needed and the cost of transmitting it within the organization, allows better coordination and control of different divisions, results in fewer errors and inefficiencies in operations, permits faster reaction to social and environmental changes, frees top manages from routine operations and insures rapid seizure of investment opportunities.

Vertical expansion permits the technical complementary of successive industrial processes, coordinated planning, savings of time and transport costs, more complete data evaluation, less bargaining and contracting with independent firms and potential economies accruing from purchasing, marketing and financing on a large scale.

[2] Some view the multinational corporation as an international carrier of advanced management, science and technology, an agent for the global transmission of cultural values, bringing closer the day when mankind develops a common set of ideals. See for example ; United Nations (1973) *Multinational Corporations in World Development.* Document ST/ECA/190, New York, U.N. Assoc., 195 pages.

[3] Note : when concentration is moderately high, that is a moderately high degree of *spatial oligopoly*, prices by region may be fixed with little difficulty and little documentary evidence. When a regional market is substantially controlled by one firm or a very small number of firms, prices can be maintained without agreement or communication among firms. When competition is restricted by high spatial concentration and obstacles to market entry, spatial price discrimination flourishes.

[4] For example, Warkentin (1966) argues that the western provinces in Canada have a higher cost of living, in part, due to regional price discrimination by powerful regulatory agencies and commercial suppliers in Southern Ontario and Quebec, the centres of population, industry, finance, institutional and political power. He points out that central Canadian industrial producers make strenuous political efforts to ensure tariffs are kept high enough to permit monopolistic pricing.

[5] High profit margins or inflated costs of monopolized industries indicate that the system is producing too little of the monopolized output in relation to the output of more competitive industries. Spatial aspects of inequality and regional inefficiency must therefore be expected in an economy in which spatial oligopolistic tendencies are widespread.

[6] This type of concerted effort appears to emanate in those regions housing corporate headquarters and presumably the benefits will flow most rapidly to them.

[7] This is true since the small and spatially dispersed market size restricts the number of optimally sized corporations and this is perhaps reflected in the fact that anti-trust enforcement in Canada has been much weaker than in the United States.

[8] These two complicating factors may tend to disperse some of the more obvious oligopolistic abuses but also may lead to equally, and sometimes more serious regional divisions and suspicions. Further research could address these questions. Do foreign concerns tend to diffuse corporate power over a wider range of corporate officials and do crown corporations disperse corporate benefits in a spatially more uniform manner ? Does foreign ownership lead to real long term losses in domestic control and enlarge the division between the 'have' and the 'have-not' regions of the country ? And finally, does political control over crown corporations lead to sectional rivalry ?

[9] This will continue to be true despite minor political disruptions.

[10] The Financial Post : Survey of Industrials (1974), Toronto, Maclean Hunter and Moodies Municipal, Transport, Utilities and Industrial Publications (1974) provided the sources for most of the data. Gaps were filled by reference to corporate reports in the Globe and Mail and the Financial Post.

[11] Kerr (1965) in his seminal work on financial institutions utilizes assets to rank the size of financial corporations.

[12] The problem of determining foreign control is complex (Safarian, 1973 ; Ray, 1965). If foreign corporations own 100% of a Canadian corporation, they have total control, 51% 'de jure' control, 35% 'de facto' control and 25% significant influence. The issue revolves around whether the voting stocks are closely or widely held.

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ABSTRACT

SEMPLE, R. Keith : The Spatial Concentration of Domestic and Foreign Multinational Corporate Headquarters in Canada.

This paper examines the spatial concentration of corporate power in Canada and measures the regional imbalances that are presently so noticeable. Furthermore, since corporate power in many instances is becoming ever more synonomous with foreign control the research notes not only the spatial concentration of this control but the sectors of the economy that are effectively under foreign domination.

The paper intimates that those areas that house the headquarters of the giant multinational corporation are the net beneficiaries of the monetary strength, political leverage and technical expertise that these establishments have available to bring to bear in a wide variety of economic and political situations. It follows that if an area benefits from the presence of large corporations, and these same corporations are concentrated into particular regions then the possibility arises that certain "have-not" regions will have cause to feel left out of the mainstream of decision making that characterizes the economic and political well being of the entire nation. It appears that this joint problem of spatial concentration and sectoral domination by domestic as well as foreign corporations may be one of the many catalysts fostering both present-day Canadian nationalism and overt provincial sectionalism.

KEY WORDS : Head Offices, foreign control, spatial concentration, corporate power, regional inequality.

RÉSUMÉ

SEMPLE, R. Keith : La concentration spatiale des sièges sociaux des corporations domestiques et étrangères au Canada.

Cet article analyse la concentration spatiale des grandes corporations au Canada et mesure les inégalités régionales dans leur répartition. En plus de la concentration spatiale de ces corporations qui, d'ailleurs, deviennent de plus en plus synonymes de contrôle étranger, nous identifions les secteurs de l'économie réellement dominés.

Nous suggérons que les régions qui accueillent les sièges sociaux des corporations multinationales sont les bénéficiaires du pouvoir monétaire, de la puissance politique et des innovations technologiques dont se dotent ces établissements pour faire face à une grande variété de situations économiques et politiques. Si l'on admet qu'une région puisse bénéficier de la présence des grandes corporations, et que celles-ci sont concentrées dans des régions données, il existe la possibilité que certaines régions démunies de ces mêmes avantages, se sentent mises à l'écart du courant général de bien-être caractérisant la nation. Il semble que ce problème de la concentration spatiale et sectorielle des corporations étrangères et domestiques soit l'une des causes multiples qui alimentent le nationalisme et le provincialisme canadiens.

MOTS-CLÉS : Sièges sociaux, contrôle étranger, concentration spatiale, grandes corporations, inégalités régionales.