THE BIGGER THEY COME

Multinationals and their value to Canada

BY WYNNE THOMAS

In his book The Age of Uncertainty, a stimulating and controversial assessment of current economic and social behavior, Canadian-born economist John Kenneth Galbraith writes: “The large corporation is here to stay. Those who would break it up and confine its operations within national boundaries are at war with history and circumstance.”

There are those, including many Canadians, who disagree with Galbraith. They see the multinational corporation — a company that while based and majority-owned in one country operates subsidiaries or affiliates in many others — not as an instrument of international economic betterment, but rather as a threat to a nation’s economic sovereignty and an idea whose time has passed. Such people distrust the motives of the multinationals, suspect them of wielding undue economic and political power and, generally, feel that the world would be a better place if the MNCs were sent packing and countries allowed to work out their own economic salvation.

It’s worth noting in passing that such criticisms are of fairly recent origin. During the first two decades following the end of World War II, the multinational corporation was widely hailed as the savior of world order. In a system that deliberately set out to foster international trade and investment on the theory that the economic interdependence of nations would be beneficial to all, multinational enterprises were to play a pivotal role. The benefits that resulted from their injection of entrepreneurship, technology and management skills served to promote global economic growth and integration on a scale unlikely to have been achieved by political means. It was only in the changing ideological climate of the late sixties and seventies, when the theory of economic growth was first challenged, that the very success of the multinational came to be seen by some as a cause for concern.

Where does Canada stand in the emerging debate over the role of the multinational corporation in a country’s economic life? It’s a difficult question to answer because for many years the topic, if considered at all, was regarded as more appropriate to academic discussion among theoretical economists than a matter for serious practical concern among Canadians. Indeed, to a nation whose prosperity had been largely founded on a combination of foreign capital and native enterprise, the benefits of such an arrangement seemed too obvious to merit discussion. Capital was what a young country needed more than anything else to develop its resources and build its industries and was to be welcomed in whatever form it came — whether in the shape of loans by cautious British investors or as equity participation by their more adventurous American cousins.

Imperial Oil, which started life more than a hundred years ago as a totally Canadian-funded company, was an early beneficiary of foreign capital. In 1896, unable — after prolonged effort — to raise badly needed expansion capital in either Canada or Britain, it turned to the Standard Oil Company in the United States. Thus refinanced, it prospered to the degree that it was able to sustain a long and costly program of oil exploration in western Canada, a search that in 1947 was to lead to the discovery of Leduc and the birth of the Alberta oil industry. By 1957 more than 60 percent of Canada’s oil industry was foreign-owned; a fact that most Canadians regarded as a small price to pay for a booming industry that without imported capital would not have existed. Indeed, the same year the royal commission on Canada’s economic prospects, under the chairmanship of Walter Gordon, published its final report and came down firmly on the side of foreign investment in the Canadian economy.

The advantages of such investment to Canadians, said the royal commission, were clear: “...the search for profits through direct investments by foreign concerns has directly influenced the rate of economic growth and industrial diversification in Canada and the standard of living of Canadians. The development of our resources, of facilities for processing them and of Canadian manufacturing industries has been stimulated by the activities of nonresident corporations in their energetic search for supplies and their pursuit of markets. Without these contacts with foreign corporations much of this development would have taken place more slowly, if at all, and at higher cost.

“Connections with a parent or affiliated company in the United States or abroad often mean advantages which could not be duplicated by a purely Canadian enterprise or could be duplicated only at considerably greater cost ... Most of the output of many of Canada’s basic industries cannot be consumed at home and must be exported. In such circumstances the assured market which foreign parent companies can often provide to their Canadian subsidiaries may be imperative to offset the heavy risks which otherwise would be inherent in the large-scale capital investment required to develop these industries. The benefits of foreign investment ... are very real and tangible.”

This glowing official endorsement
of the benefits provided to the Canadian economy by foreign capital was to mark a turning point in Canadian economic history. Six years later Walter Gordon himself had undergone a change of heart and, as finance minister in the Liberal government of Lester Pearson, sought to introduce stringent measures to stem the flood of U.S. investment into Canada. His proposals were rejected, but over the next 10 years the role of the multinational corporation in the Canadian economy came under scrutiny from a succession of official and unofficial bodies, culminating in 1973 with the establishment of the Foreign Investment Review Agency (FIRA) to screen new foreign investment and takeovers to decide whether they would be "of significant benefit to Canada." While foreign direct investment as a percentage of total foreign investment in Canada has been declining over recent years, the debate on the role of the multinational enterprise in the Canadian economy has continued largely unabated. In recent months, in fact, has received fresh attention as a result of the controversial proposals contained in the federal government's National Energy Program to increase Canadian ownership of the Canadian oil and gas industry. This it intends to do by the preferential treatment of Canadian-owned companies and of the government-owned Petro-Canada company, Petro-Canada, cutting back on incentives to foreign-controlled companies on a scale commensurate with their degree of foreign ownership. These government proposals stem not so much from a view that the foreign-controlled companies have not done a good job — on the contrary, the National Energy Program notes that "the Canadian oil and gas industry has historically benefited to a substantial degree from the availability of foreign risk capital invested by the major multinational oil companies" — but rather from the belief that it is nevertheless in the country's long-range economic interests for their presence to be sharply curtailed. Even though Canadian ownership of the country's oil and gas industry has been increasing steadily in recent years, Ottawa believes that it has not been increasing fast enough and that, in the words of the National Energy Program, "a more fully Canadian industry is likely in the long run to build a more dynamic energy sector, more responsive to Canada's goals." This view, even if a bit unrealistic — or even ill-timed — is one that finds a ready echo among some Canadians. What motivates the concern of such people is a deeply rooted suspicion that multinational corporations owe their primary allegiance to their foreign parents, that they can exercise undue influence on the public policies and economic affairs of their host countries and that whatever advantages they bring are outweighed by the economic colonisation as they impose on the countries in which they operate. Such nationalistic sentiments are understandable, particularly in such an emotionally sensitive area as the development of a country's natural resources. Obviously, as Union Gas president Darcy McKeough observed recently, other things being equal, Canadian ownership and control are preferable to foreign ownership and control. But as McKeough pointed out, other things are rarely equal, and the balance of benefits and disadvantages has to be carefully assessed. "We in Canada," he went on to say, "remain dependent on foreign investment in one form or another for our growth and development. If we dispense with foreign equity investment, or if we set terms which discourage potential foreign suppliers of capital, then we limit job creation and economic growth. That may be satisfactory to many Canadians. I do not think it is satisfactory to a majority of Canadians. "We can spell out standards of good behavior by foreign-owned corporations. But does anyone really believe that the requirements for good behavior of foreign-owned corporations should differ in any significant way from the expectations we should have for companies owned by Canadians? You may well ask whether a socially conscious, ethically managed company is less desirable as a corporate citizen than a Canadian company whose standards of ethics or social responsibility are lower." 

This last comment underscores an important fact that is frequently overlooked by those who see multinationals as a law unto themselves. Their vast assets and geographical scope are viewed as providing virtual immunity from control by national governments — in host and even in home countries. In fact, the multinational corporation lives with the consent and support of the state in which it operates, and so many of Canada's own multinationals operating abroad are aware. Notwithstanding the National Energy Program's claim that "the foreign companies control most of Canada's oil and gas industry," such is very far from being the case. Petroleum is one of the country's most regulated industries, with the federal and provincial governments controlling virtually every aspect of operations, from the amount of oil that can be produced from a specific well and the price at which the oil can be sold, to the quantities and price of oil that refiners are permitted to buy and process. It is worth noting, also, that most of the wealth of multinational corporations consists of fixed assets — in the case of the oil industry, production equipment, pipelines, refineries and service stations — which cannot be used to bring pressure to bear on individual currencies or governments. On the contrary, the fixed assets of the multinational corporation constitute substantial "hostages" in host countries. Even so-called liquid assets cannot be readily mobilized, since much of these consist of working capital required to carry on day-to-day operations. 

It is clear that the success that the multinational corporations have enjoyed in Canada results not from their ability to escape government control but instead from their effectiveness and success in adapting to the country's changing business environment and its economic and national goals. A good example of this is to be found in the early response of some multinationals to the new federal energy policies, which has taken the form of corporate restructuring and the establishment of joint ventures with Canadian companies to take advantage of new development incentives. As Imperial chairman Jack Armstrong has pointed out on a number of recent occasions, a company that wishes to stay in business has no option but to play by the rules. Naturally every company hopes those rules are fair. If they aren't, both the corporation and the host country may be the losers. As The Globe and Mail cautioned in an editorial last winter reminding Ottawa of the worth of multinational oil companies, federal policies that are excessively harsh may bring about "such dislocation of industry and commerce in this country that the result could destroy our credibility in the marketplaces of the world." It would be unwise to assume that the operations of multinational corporations are invariably benign and entirely devoid of risk to the host country. The exercise of their considerable influence in some countries has not always been laudable, and other potential dangers lie in such areas as currency manipulation and environmental indifference (foreign oil, as Gailbraith has pointed out, being worse than domestic dirt). At the same time, international trade has to be defended against those who talk only of its dangers and never of its advantages. Those critics, for example, who complain loudly that the dividends that multinational oil companies operating in Canada pay to their foreign shareholders constitute a rip-off of the Canadian consumer might do well to examine the other side of this particular coin. While the
amount of money that flows out of Canada in the form of petroleum company dividends is relatively small in 1970 total dividend payments to nonresidents by the foreign-controlled oil companies in Canada amounted to an estimated $470 million — less than Ontario Hydro alone paid in interest on its foreign debts. The advantages the companies derive from their international affiliation tend to be substantial.

In the case of Imperial, which is 70 percent owned by Exxon, the affiliation with its international parent has benefited both itself and Canadians in a number of areas. Technology is one such area where Imperial has been able to draw on the expertise of Exxon affiliates throughout the world to improve its own exploration, production and refining operations. In its offshore drilling operations, for example, Imperial has been the beneficiary of experience gleaned by other companies in many parts of the world.

One of the problems in discussing the role of multinational corporations in the fabric of Canadian business is that a wide gap exists between theory and practice. Take the far-from-atypical case of Imperial itself. In theory — indeed, in fact — Imperial, 70 percent owned by Exxon, is indisputably the Canadian affiliate of a multinational corporation. The trouble is that Imperial’s 16,000

The multinational is being viewed in a new light

cool to the proposal but was willing to accept Imperial’s on-the-spot judgment of the project’s potential — a judgment that has been more than vindicated by current Syncrude performance and its contribution to the country’s security of crude oil supply.

And Imperial employees respond with some indignation to the suggestion that they have acted collectively against the interests of their country or to the detriment of their fellow-citizens. Indeed, with their 100-year heritage in Canada it would be strange if they felt otherwise.

Governments, of course, do not take such human factors into account in arriving at hard-headed decisions on national economic policies. But perhaps, after all, in a peculiarly Canadian fashion, this country’s strongest safeguard against its subversion by foreign multinationals lies not in such legislative solutions as FIRA or in legalized discrimination against non-domestic companies but rather in the common sense and the ultimate patriotism of the million-plus Canadians in the employ of multinational corporations in this country. It would certainly be nice to think so.

In the meantime, there is much evidence to support the view that Canadians are far from being the hapless victims of a multi-national Canadian plot to subvert the Canadian economy. Where vital national interests are concerned, Canada has demonstrated its determination and its ability to maintain economic dominance. The banking, transport and the kind of communications industries have been effectively closed to foreign investment, and public as well as private enterprise is making impressive inroads into other major sectors of the economy. Far from being embattled, Canadian investors are steadily gaining increasing control over their resource, manufacturing and service industries.

At such a stage in the country’s economic progress, many observers feel it would be retrogressive and potentially dangerous for Canada to replace its maturing international outlook by an inward-looking and isolationist policy of industrial development. They believe that to discourage foreign investment by such punitive measures as those proposed for the oil industry would not only deny ourselves the economic advantages that we have learned to extract from foreign investors but would, at the same time, invite retaliation abroad.

Certainly Canada will find itself outside the current international mainstream of business philosophy if it chooses to ostracize the multinational corporation at the very time when that institution is coming to be viewed in a new light. For there is little doubt that in recent years, in the debate surrounding the multinational enterprise, there are those who suggest it represents one of the brightest hopes for world economic progress.

Indeed, today more than one distinguished economist sees the multinational corporation not merely as an instrument of economic progress but, in a wider sense, as an example of what can be achieved in terms of international political accord. "Finally," writes Galbraith in The Age of Uncertainty, "one must ask if the suppression of national identity is to be deplored. The assertion of such identity by Frenchmen, Germans and the British in the first half of this century brought millions of people to their death in two intra-European wars. In the general view the European Common Market came into existence as the result of a sudden access of economic enlightenment after World War II . . . ."

The English historian Northcote Parkinson, in his book Big Business, puts much the same thought into different words. "If we are to save our civilization from tragedy," he writes, "it will be through applying to politics the trained intelligence and methodical thought we have already applied to science and technology. But even that will not be enough if we fail to apply the lessons of big business: the lessons of organization and control; and, above all, of the international approach.

"The whole idea of nationality rests upon divergent interests and mutual suspicion . . . . Set quite apart from the blood-stained arena of nationalism is the new world of big business, a world where the jealousies of the nation states are actually forgotten. If we are to have a prosperous future, we shall owe it to men who have already learnt how to cooperate and have come to see the world as one."
For a couple of dozen distinguished years, Mr. Leacock has had his living and his considerable reputation as an author and broadcaster. Both frequently reminded him by his Institute observers of Canadians, their work, their social mores and their characters. He showed his talent for observation and analysis to his best-selling book, Remembering the Farm, and in the article that follows, he bears the talent to bear on that unique Canadian, Stephen Leacock, under whom Mr. Anderson studied at McGill University in the mid-1930s.

Let me put forward a large claim on Stephen Leacock's behalf. He was, beyond any doubt in my mind, the finest, most accomplished all-around Canadian university teacher that the 20th century has so far known. His subject was economics. At least, that's what the curriculum read. But economics was merely a starting point for his teachings. In any single hour of lecturing he might touch on the novels of Charles Dickens, the nature of slavery in the pre-Civil War United States, the structure of the Holy Roman Empire and any other topic, learned or popular, that happened to arrive in his mind and on his tongue. He was the complete teacher — witty, lucid, curious about ideas and anxious and able to convey his thoughts to all of us who were lucky enough to call ourselves his students.

Leacock didn't look like a scholar. As a matter of fact, his appearance was decidedly bizarre. His tweed jackets and flannel trousers came from the very best stores, but he tended to wear them until they grew ancient and threadbare, and the way he dressed himself in them suggested to me the look of an able-bodied bear who had been taught, also inexpertly, to put on his own clothes. Leacock had a streak of absentmindedness when it came to his wardrobe. I recall the night he turned up at one of the meetings of the Political Economy Club in a particularly eccentric costume. The club was a student organization, and they encouraged staff members to attend in their trousers. He appeared on this memorable night decked out in a rumpled white shirt, evening collar and black tie combined with, of all outrageous things, a loud checked suit. For some reason he'd left his trousers in the house still in his day suit, the loud checked number, thinking he was in full evening dress. As you can imagine, he made a hilarious sight at the meeting. But you can bet none of us laughed at him. We all had too much respect for Leacock, absent-minded or not.

He was, for all the weird clothes, a thoroughly masculine man in appearance. He had a full head of tousled hair, a strong face, a sturdy body. He was altogether a vivid person, and whenever I look at the famous Karsh photograph of Ernest Hemingway, I inevitably think of Leacock. He had the same look, the same commanding masculine presence. And then there was his laugh. He punctuated his lectures with that laugh. He saw the humor in everything, even in a matter as apparently dry as economics, and when he was jolted during a lecturing, he'd chuckle out in front of us students, before he'd let us in on the wit. The chuckle began deep in his throat, and if the joke was particularly funny, he'd almost lose control of his own laugh and give way to a kind of strangled choke.

Humor, of course, ran through everything that Leacock touched. He wasn't inventing it on the written page or in the classroom; he'd go out into the world and perpetrate a piece of it himself. He loved practical jokes. Once, I recall, he and a like-minded friend stood on a Montreal street corner handing out evangelical pamphlets and preaching a crusade little sermon with each pamphlet. Another time he boarded a Montreal streetcar and began reading from a long roll of paper in a dead serious manner, as if the paper had printed on it the most magnificent epic poem. The catch was that it was a roll of toilet paper, and Leacock didn't end his performance until he'd unfurled the entire roll. He'd make a joke out of anything, even his tilted at bureaucracy. On one occasion, back in Prohibition days, he was on his way to Buffalo to give a lecture when American customs officials confiscated a couple of bottles of beer he was carrying for his own refreshment. Leacock returned to his hotel room, royally miffed, and sent a wire to his Buffalo sponsors: "No hooch," it read, "no spooch."

He brought his wit to the lecture room, and he also brought the other quality that marked all of his life's work — his quickness. Leacock was fast — a swift writer, a brisk lecturer, a decisive businessman. In some ways, I admit, his speed was a drawback. Robertson Davies' well-known essay on Leacock's work pointed out "the long stretches of mechanical derision and the Crouse [New York Times], which made me laugh the while I was in the process of reading it."

That's true enough. Leacock published his first collection of humor in 1910 when he was 41 years old, and from then on he turned out books at the rate of more than one per year. That's a formidable workload, especially in a field as fragile as humor, and some of the wit was bound to shrink into lightweight stuff.

But if speed was occasionally a detriment in his writing, it was exclusively a benefit in his lecturing. He's credited with inventing the "riff" in the classroom. The hall where I took his classes had blackboards on three sides of the room. Leacock needed all three. He used to shuffle into the room wearing an old, frayed academic gown, the tassels loose and dangling, take up a piece of chalk, begin spewing thoughts and inspirations in every direction and, at the same time, scribble words and sentences of every sort on the blackboards. By the end of the lecture all three blackboards were covered in Leacock's rushed scrawls. Now that I think of it, if anyone in the class had possessed the brains to preserve the material on those blackboards, we'd have had another Leacock best seller on our hands.

Generosity — that was another Leacock virtue on campus. It wasn't blind generosity. Leacock couldn't stand indifferent students, and he'd fly into a rage at an answer he considered silly or badly thought out. But for his bright students Leacock could never do enough. His kindness extended outside the classroom, too. He'd go to any amount of trouble, for example, to help a deserving student find a summer job. I have a letter at home, framed and hung in a place of honor, that's dated March 9, 1936, and reads: "The bearer, A. Anderson, is one of my honor students at McGill, of excellent standing. On my recommendation he is undertaking some study in regard to ocean travel for the Gay Toms Agency. I shall be glad if any of your friends can be of use to him."

It's signed by Leacock, but — here's the curious part of the story — I can't remember who the letter was about, whether I asked for his assistance or whether he volunteered it. The important point is that Leacock wanted to help me. He was forever involving himself in the lives of the young people he respected. It didn't matter that he was the world-famous Stephen Leacock and we were merely struggling young students.

He'd even write — free! — for the McGill student newspaper. That was quite remarkable, because Leacock was an astute businessman when it came to marketing his talents. He insisted on being paid top dollar for his books, his broadcasts on the CBC and his talks on the lecture circuit. Way back in 1923 he earned $10,000 from his writing and lecturing, a very healthy income indeed in those days, and he maintained the rate for a couple of decades. But the same kind of work that publishers paid through the nose for he rejected. It didn't matter to me, in a glorious year as the Daily's news editor, and I remember that Leacock
showed up at the office one day with a piece he wanted us to have, something he’d written specifically for our paper. It was first-rate Leacock material, no sloughing off for the campus rag. The article, in his inimitable style, witty and pointed, argued that people should get out and play sports instead of just lounging around and watching others participate. It’s an old and familiar argument today, but Leacock gave it a completely fresh spin, and the piece lit up that issue of the Daily.

He brought the same kind of passionate interest to our Political Economy Club. It met one evening a month, and at each session one of the student members was assigned to deliver a paper, and then the rest of us joined in a free-for-all discussion. My topic at one meeting was Social Credit in Alberta, and as you can imagine it raised a few sparks. All the Political Economy gatherings guaranteed hot and heavy debate, and it was invariably Leacock who bolted around at the center of the action.

He used to make a full night out of the club’s meetings. He’d stop by the Mount Royal Club early in the evening for dinner, a few games of billiards, which was a consuming interest of his, and a few glasses of scotch, which was another of his consuming interests. I don’t mean to imply that Leacock was an alcoholic or even a sometimes drunk. Not at all. But certainly he enjoyed a drink.

Once he had arrived at the club meeting, he’d take up a seat in the audience fairly close to the platform, and for the first few minutes he’d sit in relative calm. But as the speaker went on with his paper, Leacock would begin to grow restless. He’d shift in his chair, his face flushing, until he could no longer hold himself in check.

“Stop!” he’d shout, his voice filling the room. He’d make his way to the front, mount the platform and unroll 10 minutes worth of his own opinions on the evening’s subject. His opinions would, of course, consist of a scathing denunciation of the poor soul who was delivering the evening’s paper. Leacock didn’t intend his attack to be cruel — cruelty was simply beyond the man. He thought he was offering a little ciliation. And probably he was, even if it took a rather unorthodox form.

In a very real way those confrontations at the Political Economy Club were inevitable. Leacock, you see, regarded most of his students as economic rebels, and we were taken on him as rather old-fashioned in his economic theories. We respected him as a teacher, to be sure, and loved him for his kindliness and for the enormous reach of his intellect. But when it came to economics, we placed Leacock back in pre-Adam Smith days. We especially thought his pet solution for the Depression was on the quixotic side. Leacock insisted that the government could cure the Depression through immigration, by bringing in millions of people to fill up the remote corners of Canada and by settling everybody to work at developing the country’s empty spaces. The solution may have been odd and simplistic, but it was characteristic of Leacock. He had a cure for every problem and a theory for every situation.

Maybe what I’m most grateful to Leacock for is that he was something basic and easily stated: he taught me, along with his other students, how to use a library. That’s — to inculcate in students a love of books and the talent to find the right ones — is to me a university’s primary job. If you understand the proper function of a library, you’re on your way to becoming an educated man or woman. Leacock knew books. In class he’d quote a passage from a reference book, and then he’d tell us where to find the passage in the book, citing for us not merely the page number but the position of the quote on the page. His memory was infallible, and his love of books was immense. He passed on his affection to all his students. I was typical — or maybe a little more than typical. Today I have in my home 20,000 volumes, and each one is special to me, particularly a couple of rare, out-of-print Leacock collections which I’m proud to say I managed to root out of old bookstores.

Obviously I thrived under Leacock. When I started at McGill I was a fumbling engineering student. It was my father’s idea to take the course. My marks were terrible, averaging around 52, and I almost blew myself up in the chemistry lab. At the end of the year I switched to arts and a course that combined economics and English, Leacock and books. My academic career took off. My marks shot up, I wrote short stories and poetry. I joined The McGill Daily and became a member of the debating team. And it was the stimulation of Leacock’s teaching that had much to do with my transformation as a student. He demonstrated to me how flexible education can be. He showed me what a marvelous instrument the human mind can develop into. He radiated dynamic enthusiasm, and it was from him that I absorbed the great rest for learning that has stuck with me through my lifetime love affair with books and ideas.

How lucky I was! Leacock, you see, was near the end of his teaching career when I was at McGill. My class was among his last before the McGill Board of Governors forced him into retirement. Leacock didn’t want to stop teaching, and there was no physical or mental reason why his career should have been ended. He may have been in his mid-sixties, but he was hardly flagging in energy or brain power. He was one of those eternally young men, and he fought his forced retirement all the way. He wrote letters to the board of governors. He devised schemes that would allow him to stay on staff. He fought, and the students, furious at the treatment of Leacock, supported him straight down the line. The curious aspect of the struggle was that a few years earlier Leacock had written an article favoring compulsory retirement at 65. But, of course, he never dreamed that any such rule would apply to him. He thought of himself as somehow different. Sadly, the board of governors didn’t see it that way, and in the end Stephen Leacock stepped down.

He was terribly hurt. But, typical of the man, he didn’t sulk or deteriorate. He kept busy. He continued on the lecture circuit. He wrote books and articles. He tended to his grand country house on Old Brewery Bay in Orillia, Ont. He was active until his death in 1944. And even when he’d gone, even today, all these years later, I don’t ever think of Leacock as dead. I have the feeling that he’s just walked out of the classroom and that he’ll be back any minute now. That’s a measure of the sense of reality he left me with. His presence is as vivid in my mind as it was in person 45 years ago in the lecture halls of McGill.

Complimentary study notes based on this article are available by writing to: Review Study Notes, Imperial Oil Limited, 111 St Clair Ave W., Room 410C, Toronto, Ont. M5W 1K3.
Interest rates are a boon or a bane to society, depending on which side of the interest-rate fence you stand. For those on the receiving end, double-digit interest rates mean a doubling of their invested assets within five years. For those on the borrowing side, those same interest rates may spell disaster in a number of equally unpleasant ways.

Who then wants to borrow money? Who wants to lend it? How do interest rates rise? Who gets the best rates? These may seem self-evident questions. But they are much more complex than they seem at first glance. And until they are better understood by borrowers, lenders and government policy makers, the likelihood of returning to the days of stable prices is remote.

In our society, loans are needed for a variety of reasons by consumers, businesses and governments. Personal loans are something to which almost all of us can relate. Although there are still people in Canada who have never borrowed money, they are in the minority. People borrow to finance the purchase of their cars, homes and other durable items. Credit cards are loans that the card holder agrees to repay, often on an installment system that includes interest.

People in business borrow money to finance development in their companies: constructing new plants; replacing obsolete factories and equipment; developing new techniques and products. Smaller businesses borrow money to finance their inventories; farmers use borrowed money to maintain their crops in storage until they are sold.

Governments have emerged as very large borrowers in the past several years, because their revenues derived from various taxes and duties have not been sufficient to cover their spending programs. Since they are large borrowers — that is, borrowers of large amounts of money — their presence in the financial marketplace creates a significant amount of competition for whatever money is available to be lent out.

Interest rates are the price one person pays another to compensate that other for foregoing the use of his own money right now. And, since there is a certain amount of risk in all lending, interest rates also act as a reward and will vary according to the potential for loss in the investment. How interest-rate levels are established is less straightforward.

At any time there will be people who don't immediately spend the money they have at their disposal. Most will deposit their surplus funds in financial institutions. (Only a small proportion of people lend out their own funds directly.) Basically, the depositories are lending their money to the bank or trust company in which they deposit their funds; they receive a receipt for their deposit — a typed piece of paper, a savings passbook, or a bond. Each of these is simply an acknowledgment that the institution has received the money and has promised to repay it within a specified period and, until then, to pay interest for the use of the money.

The bank or financial institution has very little latitude in setting the interest rate. The major control is in the central banks of the world. For Canadian financial institutions, the overriding influence on interest rates are the Bank of Canada and the American Federal Reserve System.

The Bank of Canada can control the amount of money available to be lent out in a number of ways. First, it can buy or sell Government of Canada bonds in the open market. If it buys bonds, it pays money to the seller. If the seller is the government itself, because the bonds are a new issue, then the government has additional money to spend and increases the money in circulation. If the seller is someone other than the government — a financial institution or a corporation or even an individual who chooses to sell a bond back to the government, again he will have cash for the bond and more money will be available to the community. On the other hand, the Bank of Canada can sell bonds from its own inventory. When it does, it takes money from the buyer. That money goes into the Bank's treasury and out of circulation, thereby reducing the number of lendable dollars.

In the first case — buying bonds — interest rates will tend to fall, because there are more dollars available for lending. (If that sounds complicated, think about tomatoes. In summer, when there are lots available, their price tends to fall, because so many are competing for your money.) In the second case — selling bonds — interest rates will tend to rise, because fewer dollars are available for borrowing.

It is by means of this process that the Bank of Canada announces each week what the "bank rate" is — the rate at which it is prepared to lend money to the chartered banks. Years ago, the setting of the bank rate was a significant signal to the chartered banks for the level at which they should set their lending rates. Today, however, the bank rate does not consistently lead the setting of interest-rate levels but represents more of a statement of Ottawa's policy vis-a-vis U.S. interest rates.

The Bank of Canada has other ways of influencing the price of money. It was created by Parliament "to regulate credit and currency in the best interests of the economic life of the nation..." It therefore has the right to set "reserve currency ratios" for the chartered banks which do the actual lending to the community. Reserve currency ratios are specific proportions of all the money a bank receives from its depositors that must be set aside in cash and not lent out at all. If the government wants to make money more expensive — that is, to make interest rates rise — it can raise the reserve ratios from, say, eight percent to 10 percent. The whole chartered banking system will then have two percent less money to lend out, and competition for the remaining money will bid up the price of it. Obviously the Bank can also lower reserve ratios, which will lower interest rates.

However, rather than use its extensive, and possibly disruptive, powers, the Bank prefers simply to inform the chartered banking system what it believes the level of interest rates should be, combining this "moral suasion" with a deep involvement in the auction bidding each week for Treasury Bills (short-term Government of Canada bonds).

Interest rates are the price of money. But the level of interest rates reflects several overlapping factors. Historically, over hundreds of years, people have accepted a rate of interest between two and three percent in exchange for lending out their money and not having the fun of spending it themselves. If we look back over the 1970s we see a fairly consistent relationship between the inflation rate and the interest rates. The rule of thumb is, take the rate of inflation, add two or three percent, and you'll be close to the average interest rate. This factor is connected not only to the present rate of inflation, but to the expected rate of inflation as well.

During some periods of fairly rapid inflation, expectations about future inflation distort the normal relationship between the interest rate and the time during which the money remains unavailable to the lender of it.

In Canada in 1979 and 1980 few people were prepared to lock their money in for long periods. They were afraid that if they did lock their money
The decision will be based on the corporate management's perception of whether the company can make more money than it has to spend to get the money in the first place. In recent years, companies that have been more volatile than they used to be. In part that reflects our ever changing expectations for profit. Corporate bankruptcy financing invetorises, many companies that are undercapitalized face the risk of bankruptcy. The corporate bankruptcy rate in 1980 was 35 percent higher than it was the year before. While not all of this in increase can be attributed directly to high interest rates, a significant portion of it is. Despite the fact that high interest rates can damage an unprofitable enterprise. Less dramatic but no less damaging to the economy is reduced production. Inventories are a necessity for manufacturers who must meet requests from customers for merchandise. Until inventories are sold, they represent a cost to the manufacturer, who has already paid for the material and labor that went into the product. Only when the product is sold will the manufacturer have the money to pay his bills. When the economy slows down, manufacturers attempt to control the company's production and lay off workers. New residential construction slows down as potential homeowners become reluctant to put themselves to paying double-digit rates on large mortgages. Both these phenomena—people continuing to borrow and people dropping out of the financial marketplace—are apparent in Canada today. The combination accounts for "stagflation"—an economy in perpetual recession with no relief from inflation or high interest rates.

Canada is not suffering these complaints alone. Indeed, it can be stated without bias that Canadian interest-rate policy is heavily influenced by U.S. interest-rate policy. For most of Canada's national history, Canadian political-economic thought was to encourage Americans to invest in Canada: one of the major reasons was so many Canadians and resources are foreign-owned is that Canadian governments welcomed entrepreneurs who had the resources and the job-creating potential they didn't. In our recent past Canadians became less anxious to have foreigners own Canadian resources.

No longer was there a welcome with open arms for Americans and others who had money to lend. This situation has been exacerbated by the high interest rates. Between Canadian and U.S. interest rates can be changed, but the decision rates are very high. The influence of high rates in and of themselves do nothing positive for anyone. It is likely to make more dollars than when rates are lower. But since high interest rates are usually a reflection of the need for inflation, their dollars are buying less.

Probably the worst thing that high interest rates do is make higher rates. Inflation wouldn't be so bad if it fell on all segments of society equally. But we know it doesn't. It hits people hardest who can least cope with the distortion, such as people on fixed incomes whose rents are likely to be raised or young married couples who bought their first homes with 10 percent mortgages and must renew them at 20 percent five years later. It goes against many of the moral precepts we learned at our parents' knees. For example, inflation rewards people who spend and borrow to spend. But it penalizes people who are thrifty and save. People who borrow when the value of a dollar is falling; as if it would be worth more in the future, put themselves on financial risks. And second, the money they save won't buy as much as it did once did. High interest rates have in the past seemed effective in slowing the rate of consumer and business borrowing and thereby slowing economic growth by causing higher unemployment rates. The process of slowing the economy has resulted in less demand for consumer and producer products and therefore in a slowing of price inflation. But in recent years, the effectiveness of high interest rates as a cure for inflation has been very low and in some cases, even counter-productive. Much of our inflation does not come as a result of "too much money chasing too few goods." Rather, it results from quantum leaps in oil prices and government spending in excess of the real productivity of the economy. Therefore, the inflation rate

seems immune to the usual degree of tightening of credit; it seems that only a severe recession or even depression will make an impact on inflation rates.

Although economists are loath to admit it, there is no consensus at all about what will bring about price stability. While many economists still maintain that a gradual slowing of money in circulation (brought about by high interest rates) will indeed result in lower inflation rates, many others fear that the high interest rates will bring about a recession without affecting inflation.

What it all boils down to is that the conventional wisdom about high interest rates and inflation doesn't seem to work, and no new theory has been tested. It appears that the solution of our economic ills may have to await some new perceptions about how the economy works.
As soon as they open the barn door, the man and the woman sense that something is wrong. A wet, bloody lamb, born only moments before, has been rejected by its mother and pushed through the bars of the stalls onto the cold floor. The ewe stares silently at the intruders. Placing the rejected lamb in the pen, the woman wonders aloud what to do; the sheep may do the same thing again as soon as they leave. Silently the man hoists a bale of hay, stashing it firmly against the bars of the pen. Soon the sheep is snuggling her baby. The man and the woman smile at each other.
There are now 17 Arche communities across Canada, in such places as Calgary, Hull and Antigonish. Daybreak, the first, was founded in 1969, when the Catholic Order of Our Lady’s Missionsaries turned over its convent and eight acres of property to Steve and Anne Newfhot, a couple recently returned from working with Vanier in France, who wanted to form their own Arche community. The Newfhot’s have since moved on to other social service projects, but the Arche moved to San Francisco and join Daybreak. Now, in his office as the converted convent, known as the Big House, he considers the mission of Arche: “We have to find out what even the severely handicapped person has to offer,” he explains. “Our society says, ‘Nothing,’ and rejects, discards, discrimi-
ates against. There’s an attitude that if people are not productive, they have no value.”

Egan and his staff try to recognize the individual worth of the residents who have more variety in his work, he has also negotiated a raise. But he’s even prouder of the fact that he recently cooked his first full meal. The other cook in the group, George Bentley, specializes in cakes for the birthdays that are so important a part of the community’s life. Like John Blos, he is one of the long-time members. His other major interest is sports, and recently he’s been watching his favorite team, the Montreal Canadiens, on the French channel; the language lesson is for the benefit of two housemates who are going on vacation to France.

His experiment doesn’t seem to be working. He’s been going out more than the future traveler, Linda Sling-
er, a short, blonde woman with a what smile. She is the only one in the group who has lived in an institution. “I like it here better,” she decides and with prompting itensizes the improve-
ments: she has more freedom to go out, she makes and spends her own money, and she’s learning to cook and do her own laundry. Living at Day-
break also means more privacy. Blos

More than helpless bystanders in society: farmworkers Gend Henry ... and John Smelter

work they started has expanded. The property now includes three houses for the mentally handicapped, one for the farm manager and his family and one for the assistant director’s family. A house in nearby Richmond Hill and two more in Toronto provide bases for residents who want more indepen-
dence. The total community is home for 34 mentally handicapped people. The present director, Joe Egan, decided eight years ago to give up his job with an insurance company in

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They story of Daybreak began in another farming community on the opposite side of the Atlantic. In 1964 Jean Vanier, a philosophy teacher and former theological student, decided to share a home in the village of Troadi, France, with two mentally retarded men. He knew then that this com-
mittance would last the rest of his life. For those who knew the gentle, austere-looking son of the Canadian governor-general, it seemed like the end of a promising academic career. Vanier’s friends could not have fore-
seen that a worldwide movement would build on the tiny, dilapi-
dated home that he had christened Arche.

Now approximately 1,500 handi-
capped people live in 56 Arche communities, from Australia to Haiti and India to Denmark. Jean Vanier’s approach has won praise from govern-
ments and mental health organiza-
tions. The man himself has been honored by France’s distinguished Institut de la Vie Scientifique, and the movement has been the subject of admiring study by the Canadian National Institute on Mental Retarda-
tion and, in the United States, by the President’s Committee on Mental Retardation.

But Arche is something more than a highly successful method of care for the mentally handicapped. Jean Vanier’s commitment comes not just from a genuine compassion for the handicapped, but from a belief that every human being, no matter how he or she appears to the outside world, has an intrinsic value. In fact, as he has lived with the handicapped, Vanier has sensed that those who are “wounded” may have something spec-
ial to offer.

The Reuse, Number 5, 1981
met on the various l'Arche pilgrimages — to Lourdes in '71 and '81, Canterbury in '74 and Rome in '75. The trips don't always run smoothly. En route to Lourdes in 1971 one of the buses broke down, and a surprised country priest found himself with 20 unexpected dinner guests. But even the difficulties are valuable, says Sue Mosteller, the movement's international coordinator, who lives at Daybreak and has been on most of the pilgrimages. "The handicapped people come back with a new confidence. Sometimes things have been uncomfortable and people have been difficult to get along with. But they've coped with those problems."

At the centre of the busy community is its founder, Jean Vanier. Although the movement has developed a strong structure and other leaders have emerged, he remains the keeper of the vision. In the past, while the number of communities was still small, Vanier would visit each one on a regular basis, coming to stay at Daybreak for a week at a time. But with the phenomenal growth of the movement, this is no longer possible. Others have taken on administrative responsibility, and Vanier's role has changed. This year he has been taking a sabbatical from traveling and administrative duties, so that he can work in the original community in France with adults with severe, multiple handicaps. In a sense he has gone back to the beginning: the first has become the last, the master the servant.

The continual appearance of religious parallels in l'Arche's philosophy and development is not accidental. Vanier's entire approach to the handicapped stems from his deep spiritual understanding. When he met his two retarded friends in the early days at Trosly, he developed the theory that those who lack intellectual intelligence may be capable of a greater emotional and spiritual understanding. In a series of books he expressed his view that handicapped people, shut off from the pursuit of power and material success that distracts most of us from the deeper issues of life, are more open to spiritual realities.

L'Arche's religious melody may be played in a low key, but it is constant. The movement is not, as many believe, strictly Catholic. Nor is it a Christian in an exclusivist sense. People of all beliefs — or none at all — are welcome. But prayer and regular worship are an integral part of the community's life. Most members take part. Joe Egan explains that what the community looks for in its members is "an openness of spirit... to be ready to accept the Lamb, has come looking for a new approach to life."

Like the residents, potential assistants go through a mutual evaluation period before coming to Daybreak. The duties of the assistants and heads of houses include organizing the activities of their houses, helping residents achieve their goals — such as learning to cook or do the laundry — and attending house and community meetings. But the main responsibility, says Jo Cork, head of the New House, is "to see that the house is a home. That covers everything from working with Vanier in France and with Mother Teresa in India. She has been with the community since 1978, but the two other assistants in the house arrived last September and will leave this fall. John Sutton, a candidate for the priesthood from Boston, is one of many people who spend a limited time at Daybreak as part of their religious training. Like other young people, Sara Milne, the woman who helped rescue the lamb, has come looking for a new approach to life."

The assistants have their problems, too, submerged weaknesses that often come to the surface in the intense life at Daybreak. "We're all handicapped," Milne has discovered. "It's just that some of us can hide it better."

And with this discovery, explains Joe Egan, comes an understanding of what the mentally handicapped have to offer. "When the assistant runs into problems in his own life and growth, often the handicapped people can be helpful by just accepting him as he is. Unlike the rest of our society, they know you can't be strong all the time."

L'Arche assists recognize their problems and are sometimes dis- tressed by portraits of them as a bank of earthbound angels. They know that l'Arche is not for everyone, if only because of the number of mentally retarded people requiring help. Instead, as its charter states, l'Arche sees itself as "the leaven in the dough," helping not only to transform our attitudes toward the handicapped but also to nurture a deeper respect for all human life.

Jo Cork walks past the clutter of pans and dishes to a brightly lit room behind the kitchen, a room that holds the ultimate expression of l'Arche's sharing. There is no visible sign that he has been in the office: to the south is the glare of the city, but up here all is dark and country. Cork, who lives at the New House, is Jo Vanier's right hand. "There's a lot of hardness of heart in our society. Maybe the handicapped can touch that hardness in all of us."

Further information on L'Arche is available by writing to the Director, Daybreak, 11339 Yonge Street, Richmond Hill, Ont. L4C 4X7.
Setting the pace

Imperial stays in high gear

BY PATRICIA CLARKE

PHOTOGRAPHS BY BARRY GRAY

It looks out of the corner of an executive office in Imperial Oil’s Toronto headquarters, where you might expect to find a rubber plant but not a huge blue oil drum.

It is not a traditional steel drum. It’s plastic. That means it’s half the weight, won’t dent, won’t rust, cleans easily. If several end up in a remote place, say Resolute Bay, they can be ground to shreds, shipped home in a bag and, presto, reconstituted into more oil drums.

The plastic drums are a symbol of Imperial’s search for new and more efficient ways of doing things, doing a better job for less money and thereby achieving savings for itself and assuring its customers of the best possible prices. From the time crude oil begins flowing to a refinery to the day it ends up as fuel for home or highway, Imperial is busy finding new ways to heighten efficiency. And there are numerous signs that this is what’s happening. A plastic oil drum, which lasts longer than steel and costs less to ship, is one such sign. It might save a couple of million dollars over the next three years.

“We’ve always been efficiency-minded. It’s an integral part of our operations,” says Bill Keough, vice-president and general manager of refining which, along with the marketing department, forms the main part of Imperial’s petroleum products subsidiary, Esso Petroleum. The incentive for efficiency is even greater than 10 years ago; one sign is in the operating of Imperial’s refineries, where the energy required to run each refinery accounts for about half the total operating costs. One refinery alone—the one in Sarnia, Ont.—is saving $20 million a year simply through husbanding the energy it uses in its own operations. Obviously that means savings that benefit consumers.

But to make those savings, Imperial has to spend dollars—big ones. Last year, for example, as part of this program, it spent $111 million to save energy and step up efficiency in its refineries, marketing and distribution, but the dollars spent have begun to yield sizable savings. “We can see the results already,” says Bill Keough. But how do you know whether you’re doing the most efficient job possibly in running a refinery? Imperial has what it calls “pacesetter” standards. A team of experts has analyzed every task in a modern refinery to determine what it would cost to perform that task in the most efficient refinery. The goal for every Imperial refinery is to beat that cost. Obviously, when a refinery is processing tens of thousands of barrels of crude a day, the rewards for cutting back on the energy used in its operations are great. On a 1972 base, Imperial, by applying the “pacesetter” standard, is already saving the equivalent of 4.8 million barrels of oil a year in its refinery operations. “We’ve put a lot of effort into this program,” says Mike Roman, chief engineer in refining technology. “Our management recognized early that the price of energy was going up and that any savings we could achieve would make economic sense and would grow.” As Bill Keough says candidly, “Energy conservation for us is not altruistic; it’s good business.” If the company could refine the same volume of product with one percent less material, it could save up to $40 million a year.

So, back in 1975, Imperial began an intensive conservation program in its refineries. By 1980 it was about two-thirds of the way to its 10-year target of theoretical minimum energy use. As Ray Burton, manager of the conservation project group in Sarnia, puts it, “That was the easy two-thirds.”

You save the first barrels simply by being smart. Better maintenance, for instance. Signs around the Sarnia plant remind employees of the opportunities:

“One 1/8-inch steam leak loses enough energy each year to heat six Sarnia homes.”

“One foot of missing insulation on a six-inch steam pipe wastes enough energy in a year to drive a car from Sarnia to Halifax. And back.”

It’s relatively simple, too, to make the existing furnaces work at top efficiency by controlling the dampers by computer. The next step is new, energy-efficient equipment—for instance, redesigning heat-transfer systems, adding heat exchangers or new air-preheating systems, or replacing the furnaces at some refineries. Over the last three or four years, Mike Roman says, Imperial has invested many millions in re-equipping numerous parts of its refining sector. “The return is considerably higher than we expected,” he says. “The way oil prices have been going, they were smart investments.” Improved practices and improved equipment had cut the energy Imperial uses in refinery operations dramatically between 1972 and 1980—well above the oil industry’s target for energy savings of 25 percent by 1985.

The third step, the one that gets down to the company’s own target, is called site integration. A team of experts, with experience in refineries around the world, has been studying Imperial’s plants, identifying ways in which different operations can be integrated—for instance, whether excess heat from one operation can be used for preheating in another operation. The biggest scope for such savings is in Sarnia, where the Imperial refinery and the Esso Chemical plant sit side by side but have been operating independent energy conservation programs. And the first savings from integration at Sarnia are already showing up.

But is all this work and expense really worthwhile? Definitely, says Ray Burton. If all goes according to plan, between 1975 and 1985 the Sarnia operations will have cut their energy use almost in half.

Imperial probably has more technical resources assigned to refining than any other oil company. Resources it is now able to apply to make its refineries more efficient, with resulting economies for itself and its consumers. Take, for instance, the use of computers in refinery maintenance. There is a potential saving of $4 million a year just in the new computerized materials management system. When the system is in place in the Sarnia refinery, a maintenance supervisor who needs a six-inch valve can place an order on his computer.

loading Imperial’s supertankers on wheels: safer and more efficient
terminal and find out instantly whether your order is ready. You can pick up an hour or two a day from all those people who are running around now, making more do with less. Sweeney, the project leader, says, "the annual benefits at Sarnia alone will be $11 million.

But it's not just in Imperial that people are thinking of new efficiencies. Customers are doing their best to economize in their daily lives. No group in Imperial is more aware of these changing customer choices than the men and women in the marketing department. One of their big areas of business is to encourage customers to buy products at the lowest cost compatible with safety and customer satisfaction. Imperial's marketers have a history of being first—first in Canada with a service station, first in a credit and service card, first with weather-controlled automatic heating-oil delivery. The trick today is to stay first with a level or tapering off, unit costs are consequently rising, and to do it all while giving customers the lowest price possible.

Imperial's marketers, measuring every facet of business for those products at the lowest cost, forecasted about $120 million in savings by 1984. They range from those light-weight plastic oil drums to renting service-station space to fast-food stands, but the principal efficiencies are:

One is reorganizing the distribution and sales networks. The other is using computers to speed up service at lower cost.

Pruning the networks increases the volume of business for those that remain. The number of company-owned service stations, for instance, dropped a third between 1973 and 1981, but the sales volume for those left more than doubled. At the same time, the number of self-serve stations has increased. By 1985 Imperial plans to be selling between 55 and 50 percent of its gasoline through these outlets. That's good news for the customers, lower operating expenses at self-serve stations are already saving them an average of one cent a litre. The number of customers buying heating oil or farm products will also decrease, by more than a third between 1976 and 1984. In eastern Canada heating fuel is half the average agent's business, but the market is expected to decline by approximately 40 percent by 1985 because of conservation and switching to other fuels. Of course, all these changes have human effects, too. Imperial is committed to doing all it can to prevent any hardship, helping dealers and agents relocate or take on new jobs.

The reductions add up to a smaller, tighter operation in the field, and when you reduce the troops, you have a natural influence on expenses. In Nova Scotia, the number of salesmen has been reduced as the province's moves into a more efficient network and that trend will likely continue. Even the vehicles that haul Imperial products from the distribution centres down to the service stations are being streamlined in the search for efficiency: to save energy and money and to give the customer the best price Imperial can offer. New and larger trucks, built to Imperial's order, are lighter, safer, yet carry almost twice as much as the largest trucks 10 years ago. The new trucks load from the bottom, which is more efficient and safer. A driver used to stand on top of his box to hold the loading hose for as long as 45 minutes. Now the gas is piped in from the bottom, with automatic sensors to shut it off when it reaches the top, in 15 minutes, and no fumes escape into the air. The half hour saved on every filling means extra trips for the truck. The next savings are in automating the terminals: by the end of this year, 90 percent of the volume will be on a new automation system. Though the system will cost $11 million, it is expected to pay for itself in three years. When a terminal is automated a computer will let the driver through the gates once a customer/driver card has been presented and turn on the loading facilities for him. While he is filling up it will record the transaction, make out an invoice which he will pick up as he leaves, debit the inventory for the amount delivered and relay the information to accounts receivable. And the customer's invoice will reflect savings made along the way.

The dispatch operations that assign customers' orders to the trucks are being centralized and given computer assistance, too. Instead of a dispatcher taking orders and scheduling deliveries at each terminal, he will handle a whole fleet for a wide area from one office. "We can look at the workload of each terminal and even it out," says Keith Irwin, an experienced dispatcher. "That way we get better use of our fleet." Computer assistance for dispatchers has been tried at Montreal and is moving across the country. It should cut in half the time needed to process an order. "It frees the dispatchers to do what they're trained to do best, cutting down on paperwork," says Richard Ruel, who is in charge of the program. Customers like it, too, he adds. "They're asking us when we are going to install it in their areas."

In the retail division, the first big saving is in consolidating Esso's Home Comfort Centres and the agencies that are responsible for farms, home heating and small business. The next big saving will be in assisting the work of the 600 agencies by use of a computer network. "It's the biggest program we can see for the coming years, and there will be impressive savings in costs, as well as better service for the customers," says Vic Landry, one of the marketing managers. "And it will help the agents in managing their businesses."

Another measure of efficiency is keeping down the company's service-station investment per barrel sold. At present Al Carter, the manager of marketing's strategy planning, says that Imperial's ratio is among the lowest of the major brands in the industry. The company stations are almost completely prefabricated. The kiosk can be dropped down on the foundation, the canopy assembled on the site, in a day. A tank farm under the station holds the least amount of inventory to sustain the business—hence ties up the minimum investment—yet is big enough to accommodate full deliveries.

Customers are not being left out of Imperial's plans for greater efficiency. Products currently being developed will help them save energy and money. For example, this fall the company will introduce a new electric heater to be used with an existing oil furnace. The electric part of this dual system will operate during periods when oil is less efficient. It could cut the user's costs by as much as $120 a year.

The current efficiency programs in both refining and marketing are expected to reach their targets in the mid-1980s. By then there will be new targets—new and better systems for automation, new techniques for refining crude oil. "Technology never stands still," Ray Burton says. "An energy-efficient refinery by 1981 standards won't be one by 1985. Changes that might not look economic today will be, the way the price of oil is going."

So the search goes on. The people in the distribution division of marketing want to make the tank trucks more fuel-efficient still, with fuel extenders, or propane injection, or aerodynamic changes to reduce wind resistance. Refinery engineers check new catalysts and ponder whether oil can be refined without boiling it. Perhaps refinery waste heat can be used to heat neighboring buildings.

"The way a company like ours stays ahead of the competition," Mike Roman explains, "is by bringing in efficiencies as fast as it can. Every efficiency contributes to our profit. But it also helps us keep lower prices. And the customer always benefits."
Dear Ken,

This is a much more difficult letter to write than I expected. I'm forced to acknowledge that you have grown up and I have grown older. Although I may appear somewhat weathered on the outside, I don't feel any different than I did 25 years ago when I came out of university, and that, at least, pleases me.

When you phoned from Vancouver to talk about the merits of hiking through Europe or going to university, I was relieved that the choice was yours, not mine. If I were 19 I'm not sure which road I would take. But since you've chosen the academic route, I want to pass along a few personal observations about the pleasures and perils of university life. As you might expect, I prefer to put them on paper. (A gem can be lost in dinertime haggling; this way I may linger on, if only in a bottom drawer with your socks.)

As I sit here, mulling over the weighty side of university life and recalling my own four years, the memories that drift back are not the serious ones — but instead, an American flag hoisted high on the girls' residence in the dead of night; Laura Gill's pumpkin pies; the monstrous, coal-black '56 Chevy that three of us bought and our efforts to abandon the dying beast; a boardinghouse landlady who insisted on leaving delicately scratched notes. "Please do not sit on your bed. Beds are for sleeping in ..."

Please forgive my momentary lapses into life before radial tires and Alice Cooper. As with driving a car, however, an occasional backward glance can be helpful.

One of your grandfathers was a cowboy in Alberta before becoming an engineer; the other quit school at 15 and worked on a farm before making his way to the Ontario Agricultural College in Guelph. Later, in the mid-fifties, your parents noted their blind optimism directly from high school to university. War was behind us; the golden age of technology lay ahead. We expected to live better and accomplish more than our parents, and we anticipated that our children would scale even higher heights.

Considering our outlook, it's not surprising that our university stay was a tranquil one — not at all like the idealistic, tormented sixties to follow or the grabby selfishness of the seventies. The eighties appear to have a conservative tilt, but it's really too early for labels, and what do they prove anyway?

What we do know for sure is that much of the optimism of 20 and even 10 years ago has slipped away. Our world is at an uneasy point in its history. Third World nations are beginning to demand a fairer share of the world's resources. Our air and water and wildlife are threatened. Our resources of energy are not as bountiful as we once thought. And our cities are increasingly depersonalized and hostile.

Many are understandably uneasy about what lies ahead. Their feelings are reflected in a recent Gallup poll that shows that a greater number of Canadians are pessimistic (45 percent) than are optimistic (33 percent) about their children's prospects for a happy life.

The questions and issues that faced your grandparents and parents — how to bring peace, freedom, order, prosperity to the world — are still there for you to grapple with. I hope you will. Perhaps these issues even have something to do with your decision.

There are, of course, a number of possible reasons for going to university. Somebody else is paying the shot. Or it looks easier than working. Or it's a step toward making a lot of money. Dollars can be so seductive. Modern marketing spreads luxuries at our feet, while the news media put out a steady statistical barrage about the rate of inflation, the cost of living and the value of our dollar compared with 10 years ago, five years ago and a week ago Monday.

Surveys tell us which careers pay the most and which the least and how many recent graduates can't find work. The implication is that your university courses should be tailored to the market. I disagree.

BY LAIRD O'BRIEN
ILLUSTRATIONS BY TOM McNEELY
Is there much point to making $30,000 a year if you hate climbing out of your waters bed in the morning? If money is your motivation, mightn’t you be better off ahead to do as many are doing and pursue a trade? University, I think, holds out the promise of much more than simply job training.

My suggestion is for you to “get by” — to pass the courses and have a good time — it will be a shame. Does the student really need another alumnus in doctor, lawyer, veterinarian or scien-
tist? No — what the world needs are first-class minds and people who want to use them.

I’m not suggesting you make a list of global problems and tack them one by one. Your lifetime is too short for that. But I’ll give you one example of a problem that may grow larger in your lifetime: the search for food.

In the last 35 years the world’s population has jumped from two to two billion people — a doubling that used to take hundreds of years. The people of Africa, Asia and Latin America, those least able to cope with wide-
spread malnutrition, are having the most babies, and the birthrate is accelerating.

Fortunately, in North America we produce far more food than we consume. But soon this may not be enough. By the time you are 38 years old — hard to imagine, I guess, but just 19 years from now — the world’s population is expected to be six billion.

The obvious question is how will we feed them all? Certainly we’ll have to make tremendous strides in distribution, technology, interna-
tional cooperation, investments and trade policy.

This is just one of many challenges.

I don’t want to lecture, but I also don’t want to watch you make some of my mistakes all over again. So, treasuring softly, I offer these suggestions for your university stay.

One: Let your curiosity loose. A university draws people from different back-
gengrounds and sends its ene-
gies shooting off in many directions. With luck, of the week you can choose from concerts and plays and learned speakers, snoeker and bridge, celebrity sports and frisbee games in old shorts. There are lectures, labs, librar-
ys, newspapers and an endless coffee shop. Sample as much as you can. If you study and do nothing else you will miss a great deal. Get to know many people; they will help you find out what the world is really like. A word of caution: they who live in this affluent corner of the world can become so preoccupied with our daily affairs, newspapers, the price of houses to RRSP deadlines — that we may ignore the much larger issues.

You grew up with television and had a ringside seat at assassina-
tions, wars and earthquakes. This instant participation in events thou-
ousands of kilometres away should give us all a greater sense of sharing and caring. Perhaps it does, but I wonder if there isn’t also a tendency to with-
draw and to shield our quiet, comfy corner from the unpleasant. Try not to lose touch with events beyond the ivy walls.

As to the perils of university life, offhand I can think of only one. It is the danger of seeing yourself as one of the chosen few who are somehow special in the order of things. At best you are lucky, in your opportunities that are special.

Two: Keep a positive outlook. It is so easy to catch the virus of gloom. If you can stand another brief backward glance, I’ll give you a per-
fect example of the positive, hopeful outlook. After a discouraging run of experiments, one of Thomas Edison’s colleagues turned to him and said, “It’s too bad to do all of that work for nothing.” Edison look surprised. “But it’s not for nothing,” he replied. “We have got a lot of good results. Look: now we know 700 things that won’t work.”

Be optimistic, if it pleases you. “Nothing great was ever achieved without enthusiasm,” to quote Em-
erson. But I hope you’ll take the time to work out the distinction between good and ambition.

Three: Don’t look for the shortcuts. When you were six you couldn’t wait for the cranks to turn the wheels of the car. At 16 you wanted to paint a boathouse wall without both-
c Turing to scrape it first. This is a good time to abandon the quick and careless approach.

The prize at university is knowl-
edge and understanding. The how and the why. There are the resources you’ll take with you — not a piece of paper that says you’re qualified, not family or social connections to open heavy doors.

I doubt that you’ve heard of Edward Hodnett, author of The Art of Prob-
lem Solving, but he has some harsh words for those who slough off the importance of knowledge: “Failure to accept this hard truth will put you among the half-baked artists, crank inventors, political dreamers and fak-
ers in all fields, who find it easier to be different than to master the fun-
damentals from which they are deviating.”

Where will you find this knowledge and understanding? Not through in-
heritance or intuition. It comes from reading, questioning facts, questioning and re-
arranging ideas in fresh ways.

Four: Think of yourself as a bit of a juggler. Too much preoccupation with any one thing — mark highs, girls, ball sessions — can become very boring. This is the time to talk of many things — of shoes, and ships, and sealing-wax, of cabbages and kings.

A well-rounded person has three phases to keep in balance: the physi-
ical, the mental and the spiritual. It is a mistake to spoil one side of life and ignore the others. It is dammag-
ing to suppress feelings of fairness, love, hate, rage, and spirtu-
al excitement while galloping after monetary re-
wards. On the other hand, the necessities of life while wrestling with only deep, philosophical thoughts.

Five: Try to be your own best friend. Remember St. Andrew’s College? In Grades 7 and 8 it was impossible to persuade you to wear a raincoat, even in a flood. “Nobody wears a rain-
coat,” you told me indignantly. This social law was accepted without ques-
tion by the masses.

As you get older, more and more people seem to want to do your thinking, don’t they? Even fathers are guilty.) Fashion designers get to-
gether and persuade us that this year’s ties are to be so and skirts are to be so or down. There’s always some-
body around trying to tell us what’s what. We’re told what’s what’s here and how we should handle it.

And the more we let them, the harder it is to make decisions for our-
sef. Independent thinking, like olives, seems to be an acquired taste.

When I was 20 or 21 I wanted to write great books and race fast horses. Many years later, I haven’t done either, but that’s okay because I’ve done other things instead.

Whatever you may hope to do with your life, Ken, you can expect that luck or fate, whatever you wish to call it, will intervene. Tomorrow will not be like today and not at all the way you expect it to be. Surprises are always lurking just around the next corner. And sur-
prises are what make the journey so fascinating.

Finally, let me add that I hope you are lucky enough to find your good memories at university and take them away with you — whatever happens to be the 1980s equivalent of a coal-
black ‘36 Chev.

Much love,

Dad
In Closing

It is just over 20 years now since I came to work in this neighborhood, which is not far from the corner of Yonge Street and St. Clair Avenue in Toronto. There have been a lot of changes in that time, and any day now the wrecking crew will take down one of the last of our landmarks, a calm, changeless building of two stories, with leaded windows and brown bricks, a building with a place in the history of the city and country that for one can be described quite honestly as unique. It is a funeral home — the A.W. Miles Funeral Chapel.

It’s unique not just because of its work, which is different from all around it, or its style, which is in Gothic and a relief to the eye between the sailing towers that have shot sky-high on either side of it, but because it has been the place from which, generation after generation, people paid their last respects to many men and women we think of as the leaders of Canadian life, in business, finance, church and state. Once, on a snowy day in March 1939, A.W. Miles directed the funeral of Lady Ina Gage, wife of the famous publisher, then Sir Joseph Flavelle, the financier, and in late afternoon Sir Henry Pellatt, the builder of Casa Loma. He — and those who worked for him and succeeded him — saw to the burials of Mackenzie King, Arthur Meighen, George Drew and, over the many years, members of such history-making families as the Gooderhams, the Eaton’s, the Burtons, the Macasesy, the Westons, the Lohlaw, the Conachers and on and on.

Sometimes, usually in the early afternoon when I’m passing the funeral home on my way back to the office, the glass doors beneath the archway open, and a clergyman leads the band of pallbearers and mourners to the waiting coffin. Almost always, even when the sidewalks are busy, people stop and stand back. I think some of us who have come upon many of these sad processions in our years here feel that, for a few minutes, we are more than strangers.

When word got around the street that the chapel was coming down, in favor of a high-rise condominium, we all took notice. Some stopped by to say good-bye to the people who worked there — people we saw so often; some attended a service to mark the closing on July 16. And I went along to find out something about A.W. Miles, the man himself, long since gone, who began his work in 1901 and who touched so much of our history in such a different way.

When he was in his early 20s and running a dairy business in Toronto about 1905, Arthur William Miles set out for South Africa, where for two years he worked in the gold mines, saving all he could, apparently with an eye to using it as a stake to open some kind of business when he came back home. No one is entirely clear why he chose the funeral business, but one man who remembers him most clearly, J.R. Graham — who came to work for him while a youth, stayed for well over 40 years and still refers to him as “Mr. Miles” — thinks he probably saw that Toronto was growing, that the funeral business was just beginning and concluded that together they had a good future.

Graham, who became in time the manager of A.W. Miles Ltd., and who along with the late Toronto lawyer and businessman R.C.G. Wilson, Q.C. directed its affairs in recent years, is a familiar man to many of us in the neighborhood, for we often see him sitting at his desk beyond the locked windows or standing in the doorway of the chapel or outside nearby churches, where funerals are being held there.

When Mr. Miles hired me,” he told, “he was in the prime of his career, a tall, striking man with a thick head of hair that became a distinguished white. He sat down in that chair — I was about 18 and a delivery boy for a drugstore for five dollars a week — and he asked me if I was sure I wanted to enter the funeral business; it was, as he put it, a bit unusual. I said I was sure. But just to be certain, he got on the phone and made a long distance call. In 1914 he boasted it was all right with her. That was typical of him. If there were a detail anyone would be interested in, he would do it.

“Once we had a funeral for a distinguished military man, and the casket was made to fit the train for Ottawa. We could have simply driven to Union Station, backed up to the freight area and shipped it. But Mr. Miles had an entire set of doors taken off the station casket, so that when we arrived, we could enter the way he felt was proper.”

There were probably many reasons why A.W. Miles became over the years, the man chosen to direct the funeral services of so many eminent persons, reasons that have something to do with ordinary circumstances as well as his special ability. Still, there are signs he had a number of characteristics that, in combination, made him a figure to be reckoned with in his trade. For one thing, he seemed to be progressive. In 1914 he bought the first motor hearse in Canada, a fact that was duly noted far and wide, even in The Winnipeg Free Press.

He also created a large park with acres of playground and a zoo with an elephant, giraffes, llamas, 40 donkeys and numerous exotic birds. It was free to all, he used to say, because once, when he was a poor boy, he had wanted to go to the zoo but had had no money. He had vowed that day that if he ever became prosperous he would open his own zoo and let everybody in free of charge. Hundreds of church groups, Protestant and Catholic, held their outings there — it was called Miles Park — with free buses for all provided by Mr. Miles.

But also, by this time, A.W. Miles had been chosen to arrange and direct one of the largest and saddest funerals in Canada’s history. In May 1914 The Empress of Ireland, on her way to Britain, went down in the St. Lawrence, taking more than 1,000 to their deaths, well over 100 from Toronto, most of them members of the Salvation Army, including the commissioner and members of the Salvation Army Band. It fell to A.W. Miles to go to Quebec and set to the tragic task of transferring the many bodies to Toronto and then to arrange the burial in Mutual Avenue. The long procession with rows of caskets on horse-drawn carriages, up Yonge Street to Mount Pleasant Cemetery.

His appearance was memorable — just under six feet tall, straight as a sergeant major, with his mane of white hair and a thick mustache. His barber shaved him every day and trimmed his hair twice a week. He wore a top hat, even while others wore bowlers, so that, carried on his upturned wrist, it became his symbol. But mostly people seem to speak of his extraordinary calm in the face of things that could upset the most imperious of men.

Once, the story goes, he was directing a burial and had the casket placed on the lowering device, when suddenly the device gave way and the casket went crashing to the bottom, sending a cloud of dry dust over everyone, including him. It was enough, you might say, to make a mortician weep. But when the dust settled he was standing there, his hat in his hand, his face betraying not the slightest distress. The service went on, and some who were there may well have thought it went just the way it was supposed to go. He lived a long time. He spent his declining years in the residence over his funeral home, cared for by the son who bore his name, until he died in June 1956, at the age of 84.

The other evening, when the air was hardly stirring, I went out for a walk and sat on a bench across the street from the funeral home and watched the people coming and going and wondered about them and hoped that if they were saddened they were also consoled. And I thought of Mr. Miles and the work he chose to do, which was such a different kind of work but done just the way he wanted it. It seems to me that since there is a place in history for so many who went through the doors of A.W. Miles there should now be a place for Mr. Miles.
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