

# General Information About Corporations

## I. Corporations in General

From the moment we are born until the time we die, corporations dominate most facets of our lives. Our citizen roles of voter, taxpayer, worker, consumer and shareholder are all affected by corporations. They produce and sell the food we eat, the clothes we wear, the houses we live in, the vehicles we travel in and the entertainment we enjoy. Corporations affect the quality of our environment and shape the values of our society, influencing the areas of law, taxation, education, communications, athletics, families and organized religion through corporate lobbying, polluting, advertising, and sponsorship.



Large Canadian corporations and transnational corporations (TNCs) are especially influential. Because of the sheer size of these corporations in terms of financial resources and number of employees, the decisions of the relatively few people who control them exert great influence on the decision-making of local, provincial and national governments, and can have great impact on the communities in which these corporations are located.

However, despite their size, power and influence, corporations are not subject to as strict requirements concerning how they set up and behave as are individual citizens. For example, when a person immigrates to Canada, they are put through a rigorous process before they become a full citizen, subject to the rights and responsibilities of Canadian laws, community standards and traditions. In contrast, corporations automatically become "citizens" of Canada by simply filing papers with the government. And corporations exercise their rights with great force in Canadian society, but they have often shown that they are not subject to the responsibilities of citizenship or to Canadian laws.

At times, both individual citizens and corporate "citizens" are negligent and do not fulfill their responsibilities, but some individual Canadians also use the "veil" of corporate structures to escape the responsibilities of individual citizenship.

## II. Corporations in Canada

In Canada, the **revenues of the largest 500 corporations** total about 80 percent of the Gross National Product and these corporations employ about two million Canadians. However, the small- and medium-sized business sector creates about 80% of new jobs in Canada.



**Corporate taxes**, when compared to personal taxes, represent a proportionally smaller and decreasing share of government revenues, as the following figures show:

- 1) In 1961, 21% of the federal government's revenue came from corporate taxes;
- 2) By 1992, however, only 7% came from corporate taxes;
- 3) Over the same period, federal revenue from personal taxes rose from 32% to 48%;
- 4) Income taxes collected from the poorest 20% of Canadian families have more than doubled since 1984;
- 5) In contrast, 93,405 corporations with combined revenues of \$27 billion (including many of Canada's largest corporations) paid no income tax in 1987; and
- 6) Canadian corporations currently owe about \$36 billion in deferred taxes.

Although "smogging" is recognized as much as "mugging" now as a societal harm, **corporate crime** is scarcely tracked as compared to street crime in Canada. An accounting is made of consumer fraud, but no regular account is taken (by Statistics Canada for example) of crimes against the environment, economic crimes or of the deaths and injuries caused by dangerous products, workplace hazards, and preventable occupational diseases.

One researcher compiled the following statistics for Canada in the early- and mid-1980s:

- 1) Occupational deaths are the third leading cause of death in Canada;
- 2) Every six hours a Canadian worker dies on the job;
- 3) At least half of all workplace deaths in Canada can be attributed to unsafe and usually illegal working conditions;
- 4) These working conditions cause more deaths in a month than all the mass murderers combined do in a decade; and
- 5) Canadians are 28 times more likely to be injured at work than by an assault, and 10 times more likely to be killed at work than by homicide.

As far as consumer fraud is concerned, the RCMP Commercial Crime Section estimates losses by Canadian victims in 1992 at \$.574 billion. Others have put the figure at \$4 billion, based upon a U.S. study which totalled losses there at \$44 billion.

**Corporate criminal accountability** is not fully developed in Canada either, in part because of the structure of corporations. Enforcement of environmental protection and investment laws has increased and, in some cases, the courts have held corporate directors responsible for the activities of the corporation. However, overall corporate directors are rarely held accountable for wrongdoing by the employees of the corporation, even if the internal culture of the corporation encouraged the wrongdoing.



In addition, there are many clear conflicts of interest in the make-up of Canadian corporate boards, and there have been many examples of corporate breakdown caused in part by poor corporate governance. Take, for example, the fact that the majority of directors of Canada's big six banks are these banks' biggest corporate customers. The Toronto Stock Exchange Committee on Corporate Governance released a draft report in May 1994 calling for guidelines for improved corporate governance in Canada, including a recommendation that corporations should have to tell shareholders, and give reasons, if a majority of their directors have ties to the corporation.

Meanwhile, although shareholder activism has had some success in recent years, **shareholder democracy** has never been a reality in any of Canada's large corporations or, even less so, in any transnational corporations (TNCs). Many citizen groups buy a few shares in large corporations each year and attend annual general meetings to confront the board of directors with citizen concerns. However, although these efforts often receive media coverage, they rarely affect corporate decision-making directly.

In the area of **constitutional law**, academic studies have shown that large Canadian corporations have used the Canadian Charter of Rights and Freedoms to advance their claims in court more successfully than have Canadian citizens. Corporations now enjoy many of the protections of the Charter intended to apply to individuals.

**Corporate donations** to political parties and candidates are another way corporations exert influence in society. For example, changes to the Bank Act in 1991 were influenced by the fact that the big six banks give about \$250,000 each year to the federal Conservative and Liberal parties, and the February 1994 tobacco tax cut was influenced by the fact that the big three tobacco companies gave \$270,000 to the federal Liberal party between 1988 and 1992.

### III. Transnational Corporations (TNCs)

In the international arena, a small number of **transnational corporations** (TNCs) dominate the globe in the following ways:

- 1) of the largest 100 economies in the world, 51 are corporations;
- 2) the combined sales of the top 200 corporations \$7.1 trillion, greater than 25% of the world's economic activity;
- 3) the vast majority of the top 200 corporations are located in just seven countries:
- 4) Japan, the United States, Germany, France, the United Kingdom, the Netherlands and Switzerland; and
- 5) one-third of world trade is trade between the divisions of corporations, as opposed to between different corporations or countries.

Over the past seven years, **trade agreements** such as the Canada-U.S. Free Trade Agreement (FTA), the North American Free Trade Agreement (NAFTA) and the recent General Agreement on Tariffs and Trade (GATT, now under the World Trade Organization (WTO)) have set a foundation to bring community values - consumer, labour, health and environmental standards - further under the influence of the values of global commerce. In addition, there is no role for citizens or citizen groups in the decision-making processes of NAFTA nor the WTO.

In an age of rapid globalization of capital and business, **international regulatory frameworks** aimed at controlling the activities of TNCs are few and far between and are not enforced effectively. One of the main means of regulating TNC activities to date has been the drafting of voluntary codes of conduct, but although these codes are often strong statements of principles of accountability for TNC actions, most remain in draft form or in their own wording are unenforceable.