# *Social Inequality in Canada Dimensions of Disadvantage (Canadian) 7th edition Hwang Test Bank*

SKU: 9780199037407-TEST-BANK

# Chapter 2
# Corporate Power in 21st Century Canada

## Multiple Choice Questions

1. What term does Peter Blau assign to the results of systemic inequities in society?
   a) Class power
   b) The modern joint-stock company
   c) Transnational corporations (TNCs)
   d) Multilateral independence
   e) Unilateral dependence

2. What does Marx give us as a starting point for the empirical analysis of corporate capitalism?
   a) A system of class power
   b) A system of corporate power
   c) A system of social honour
   d) A system of surplus
   e) A system of commodity fetishism

3. If we argue that corporate power is "Janus-faced," what are the faces?
   a) Economic and religious
   b) Political and religious
   c) Economic and cultural-political
   d) Historical and social
   e) Cultural and human

4. What form of corporate power involves control of the labour process within the firms that actually produce the economic surplus?
   a) Strategic power
   b) Operational power
   c) Allocative power
   d) Social power
   e) Managerial power

5. Which of the following does *not* apply to the notion of strategic power?
   a) Directors are elected annually by the shareholders.
   b) Workers, communities, and consumers are excluded from the election of corporate directors.
   c) The election of corporate directors is based on one vote per person.
   d) The dispersal of corporate shares among many small investors leads to "people's capitalism."
   e) The election of corporate directors is based on the number of shares owned.

6. What structure is said to be constituted when allocative, strategic, and operational forms of economic power are taken together in directorate interlocks and inter-corporate ownership?
   a) A structure of manufacturing capital
   b) A structure of managerial control


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c) A structure of exploitation
d) A structure of finance capital
e) A structure of political control

7. What term best describes the economic approach in which national economies revert to old nineteenth-century ideas?
   a) Neo-conservatism
   b) Neoliberalism
   c) Liberalism
   d) Conservatism
   e) Laissez-faire

8. What is meant by Fred Block's famous claim that "the ruling class does not rule"?
   a) The ruling class is undergoing a slow process of decay.
   b) The ruling class controls the political process and its outcomes.
   c) The ruling class does not need to reach into civil society to maintain its rule.
   d) The ruling class must exercise active leadership of the subordinate class(es).
   e) The ruling class assumes the consent of subordinates.

9. What must the corporate elite achieve and maintain to be a hegemonic cultural and political force?
   a) Social cohesiveness as a business community
   b) Direct control of political parties
   c) Control over the mass media, including news reporting
   d) Control over the nation's central bank
   e) Control over policy planning think-tanks and academia

10. The concentration of corporate capital in Canada in the late twentieth century largely coincides with what event?
    a) The formation of the World Trade Organization (formerly the General Agreement on Tariffs and Trade)
    b) The consolidation of the continental "free trade deals"
    c) The creation of the International Monetary Fund
    d) The election of the Progressive Conservative Party of Brian Mulroney
    e) The newly-created Canada Health and Social Transfer

11. Over the past six decades, a close, positive relationship is evident between what two phenomena?
    a) The number of firms listed on the TSX and economic equality
    b) Concentration of income and concentration of corporate capital
    c) Concentration of corporate capital and concentration of political power
    d) Concentration of income and concentration of political power
    e) The growth of the welfare state and concentration of income

12. A version of which narrative was applied to Canada in the late 1960s and 1970s?
    a) Canada's pattern of economic development resembled that of colonial economies
    b) Leading industrial companies and financial institutions have comprised a dominant fraction of indigenous financial capital


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c) Canada's capitalists act as agents allied with American TNCs in a process of compradorization
d) Canada's capitalists lost control of domestic capital in a process called "silent surrender"
e) Canada experienced a kind of exceptionalism in terms of the geographic concentration of capital

13. What trend did *not* occur in Canada at the close of the twentieth century?
a) The corporate power became re-centred on a core of transnational banks and corporations controlled by capitalists based in Canada.
b) Transnational financial capital radiated from Canada in a way that embedded it more extensively in a circuitry of global accumulation.
c) Transnational financial capital radiated from Canada in a way that disorganized the national network.
d) The Canadian network had become organized around an expanding sector of Canadian TNCs.
e) Canada's business community participated with other nationally-based corporate elites in a global process of capital concentration and centralization.

14. Which of the following statements exemplifies Arthurs' interpretation of dependency?
a) Many of the "rising stars" of corporate capital were firms controlled in Canada.
b) Corporate Canada was being hollowed out as foreign parent corporations tightened control of their Canadian subsidiaries.
c) Primarily interlocks among corporations that are controlled in Canada integrated the elite network in Canada.
d) Canadian-based investment abroad continued its long-run expansion.
e) Canadian controlled TNCs had elite connections that extended transnationally.

15. What is the name of the pattern to which American hegemony partly yielded by the close of the twentieth century?
a) Silent surrender
b) Hollowing out
c) Compradorization
d) Geographical concentration
e) Multilateral cross-penetration

16. What term describes cultural and political leadership that shapes the common-sense understandings of what is socially possible, and what is deemed to be in the "common interest"?
a) False consciousness
b) Political formulae
c) Meritocracy
d) Governmentality
e) Hegemony

17. Which of the following trends exemplifies moral reform within the corporate elite?
a) The continuation of aristocratic forms of closure
b) The growth of private clubs and private schools that act as a mechanism of social closure
c) Corporations mandated closed recruitment of directors


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d) Educational credentials are more important than exclusive club membership for membership in the corporate elite
e) A transition within corporations towards reduced diversity and openness

18. In the early 1970s, the culture of solidarity in the business community was primarily one of what?
a) Leisure
b) Capital
c) Activism
d) Diversity
e) Merit

19. Which of the following phenomena resulted from the shifting basis of elite solidarity in recent decades?
a) The "bringing-together" of organic intellectuals and leading capitalists in agencies of business activism
b) The emergence of elite policy groups while older think tanks took a neo-liberal turn
c) The emergence of a network linking the directorates of Canada's largest corporations to right-wing policy groups
d) A dramatic policy transition from the Keynesian welfare state to the neo-liberalism
e) All of the above

20. Why did NAFTA have important implications for the structure of corporate power in North America?
a) It "locked-in" the neo-liberal policies of the three regimes from future government change.
b) It advocated regional interests over international governance.
c) It protected the autonomy of the state in economic decisions in Canada, the US, and Mexico.
d) It drew a sharp distinction between the desired policies and understandings of the largest corporations in each nation.
e) It proved that neo-liberal continentalism would proceed even without the support of all elite groups.

21. Karl Marx theorized that corporate capitalism is a system of _____.
a) Class power
b) Corporate power
c) The means of production
d) Social relations
e) Transnational capitalists

22. What power do corporations have in the current era of globalizing capitalism?
a) Corporations have structural power to play one national workforce off against another.
b) Corporations can conceptualize their power in sociological terms, so they are able to make decisions to counter union activism.
c) Corporations are able to accumulate workers from regions all over the world.
d) Globalizing capitalism reduces the power of corporations.
e) Corporations are able to make decisions on behalf of the state.


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23. What does it mean to have control over economic surplus?
    a) The dominant class has control over the means of production and can appropriate the surplus produced by a subordinate class
    b) An exorbitant standard of living for the dominant class can be funded
    c) The economic future is placed at the dominant class's disposal
    d) People can be relegated to positions of unilateral dependence
    e) All of the above

24. In 2009, the profits of 1.3 million companies in Canada were claimed by how many giant corporations?
    a) 34
    b) 60
    c) 1,434
    d) 60% of the 1.3 million companies
    e) 34% of the 1.3 million companies

25. What is transnational investment?
    a) The social organization of Canadian corporate power
    b) A distinctive structure of class inequality and underdevelopment
    c) A process where capital becomes concentrated and transnational corporations are the most powerful and are able to play one workforce (or state) against another
    d) Corporate capital's nationality
    e) None of the above

26. What does the term "compradorization" refer to?
    a) Foreign-controlled companies that have not participated extensively in Canada's corporate-elite network
    b) Canada's capitalists act as agents who are allied with American transnational corporations
    c) Weakened American global hegemony
    d) High levels of foreign control
    e) Canada-based finance capital

27. In the chapter, it was discussed that Canadian TNCs have a national network of corporate power and are simultaneously interlocked with foreign-based TNCs inside and outside of Canada. What does this trend suggest?
    a) Increasing cross-penetration of capital across national borders
    b) Decreasing cross-penetration of capital across national borders
    c) Capitalist globalization is slowing down
    d) Corporate Canada is being hollowed out
    e) Nothing could be concluded

28. Which one of the below is NOT a component of neoliberalism?
    a) Regulation of capital
    b) Diminished relative autonomy of national states
    c) Less direct government involvement in the economy
    d) Freer markets
    e) All of the above


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29. What did the investor-rights provisions in the North American Free Trade Agreement (NAFTA) allow investors to do?

a) Sue a government for compensation against measure that deprive them of future profits
b) Obtain an enormous flow of foreign investment that further integrates the world economy
c) Extended operational, strategic and allocative power to investors that did not have them yet
d) Empower communities and workers to become investors
e) None of the above

30. Over the past few decades, there has been a close relationship between what?

a) The Toronto Stock Exchange and the top 60 corporations
b) Canadian families and individuals
c) Concentration of corporate capital and the extent of income inequality
d) Concentration of corporate capital and the poorest 34% of the population
e) Concentration of corporate capital and the Corporations Returns A

## True or False Questions

1. Marx's omission of corporations is a major shortcoming of his economic and political remarks.

2. The cross-appointment of directors interlocks boards of major corporations with one another.

3. The two faces of corporate power are economic and religious.

4. Strategic power is rooted in the democratic character of corporate capital, evident in the election of directors by shareholders.

5. In practice, corporations are controlled by the propertied few who own large concentrations of corporate shares.

6. Allocative power accrues to agents and organizations that control the financial assets that fund new investment.

7. The notion of hegemony means that the consent of subordinates is not required to rule.

8. Neo-conservatism refers to an economic approach in which national economies revert to old nineteenth-century ideas about the role of governments in the regulation of capitalism.

9. In civil society, the ruling class seeks to universalize the interests of capital in profitable accumulation as the general interest of society.

10. The earlier pattern of extremely concentrated corporate capital in Canada was eroded in the post-World War II era and was never re-established.


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11. Just 60 gigantic corporations claimed most of the profits of 1.3 million companies in Canada in 2009.

12. There is no relationship over the past six decades between the concentration of corporate capital and the extent of income inequality in Canada.

13. Over the past six decades we see the further centralization of strategic control over capital except in a geographical concentration of corporate head offices.

14. Borrowing the narrative of the economic development of the global south, Levitt (1970) described Canada as "the world's poorest developed country."

15. Groups of interlocked capitalists who own or manage supra-corporate blocs of indigenous finance capital are at the centre of Canadian corporate power.

16. The dependentist interpretation argues that firms in the West and the East of Canada are controlled by the firms located in Montreal and Toronto.

17. Corporate-governance reform initiatives (e.g., 1995) had nearly no effect on the structure of finance capital or the structure of the elite.

18. Hegemony refers to maintaining class rule through the repressive state apparatus.

19. Moral reform within the corporate elite has brought gender and ethnic composition in line with the general population.

20. In the early 1970s, voluntary associations were still the key sites for building elite cohesion.

21. The "confraternity of power" refers to how the elite found its collective identity in the 1970s.

22. In recent decades the elite's basis for solidarity shifted from the sphere of activism to that of leisure.

23. When we place the new business activism in a broader context, we see that it is not a uniquely Canadian phenomenon.

24. Agreements such as NAFTA form an integral part of the globalization process.

25. NAFTA's investor-rights provisions formed the basis of the WTO's new norm for international governance.

26. Structures of inequality are reproduced through exercises of power; yet, power is rooted in inequality.

27. Workers, communities, and states depend on large corporations that may or may not choose to invest in a given place at a given time.


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28. Between 1950 and 2007, the average profit of the top 60 corporations on the Toronto Stock Exchange shrunk from 14,278 times the average profit to 234 times the average profit, indicating a decrease in capital concentration through accumulation by giant firms.

29. The geographical concentration of corporate head offices in major urban centres such as Toronto and Montreal indicate centralization of strategic control over capital.

30. Cross-penetration of capital across national borders is not considered integral to capitalist globalization.

31. "Hot money" refers to mobile financial capital searching for short-term profit, and this is inherent throughout the neo-liberal era of globalization.

32. Corporate-governance reform initiatives were first implemented in 1995 by the Toronto Stock Exchange, which sought to strengthen relationship-based finance.

33. In the 1970s, the "old boys" network was a centralized network of private clubs for building elite cohesion, often composed of the leading directors of dominant corporations.

34. The new business activism since the mid-1990s cannot be placed in a broader context because corporations are separate entities.

35. Corporate power is inseparable from accumulation of capital.

## Short Answer Questions

1. What does Fred Block mean when he says "the ruling class does not rule"? Cite examples of how the ruling class maintains its "control" over the political process and outcomes.

2. What is finance capital? Briefly explain how it has been integral to advanced capitalism.

3. What is the connection between control of the corporation and ownership of shares? Explain whether you find this to be a democratic relationship.

4. It was discussed in this chapter that "financialization" has influenced the organization of corporate power. What is meant by "financialization"?

5. Explain the importance of maintaining internal cohesion among the corporate elite.

## Long Answer Questions

1. How do we conceptualize corporate power in sociological terms? How do corporate boards show traces of these kinds of power?


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2. What is hegemony? Explain how this relates to the way that business interests are manifest in Canadian politics and how this manifestation has changed historically.

3. How is economic power concentrated in Canada? What trend has this concentration undergone? How is it related to other forms of centralization?

4. Why is corporate power referred to as "Janus-faced"? What are its two faces, and why is this significant? How does this relate to the three forms of power?

## Discussion Questions

1. Is the business community always a cohesive entity? Can you think of examples where they are at odds with each other?

2. Think of examples from your favourite TV show or movie about how the interests of the ruling class are represented as being universal. How do you feel about the ruling class reaching into civil society? Is resistance possible? Is it desirable?

3. Read a policy paper from a think tank such as the Fraser Institute or the C.D. Howe Institute. How do they present their positions? What worldview(s) do they espouse? How are these positions linked to their research fellows and board members?

4. Consider capitalist globalization. Besides the examples from the text, can you think of other features of this global phenomenon? How does it impact other regions of the world differently? Please discuss.


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# Answer Key

## Multiple Choice Questions

1. E (Introduction)
2. A (Introduction)
3. C (Introduction)
4. C (Introduction)
5. C (Introduction)
6. D (Introduction)
7. B (Introduction)
8. D (Introduction)
9. A (Introduction)
10. B (Concentration of Economic Power)
11. B (Concentration of Economic Power)
12. A (Strategic Control, National Borders and the Organization of the Corporate Elite)
13. C (Strategic Control, National Borders and the Organization of the Corporate Elite)
14. B (Strategic Control, National Borders and the Organization of the Corporate Elite)
15. E (Strategic Control, National Borders and the Organization of the Corporate Elite)
16. E (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
17. D (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
18. A (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
19. E (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
20. A (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
21. A(Introduction)
22. A (Introduction)
23. E (Introduction)
24. B (Concentration of Economic Power)
25. C (Strategic Control, National Borders and the Organization of the Corporate Elite)
26. B (Strategic Control, National Borders and the Organization of the Corporate Elite)
27. A (Strategic Control, National Borders and the Organization of the Corporate Elite)
28. A (Financialization, Corporate Governance Reform, and the Changing Shape of Finance Capital)
29. A (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
30. C (Concentration of Economic Power)

## True or False Questions

1. F (Introduction)
2. T (Introduction)
3. F (Introduction)
4. F (Introduction)
5. T (Introduction)
6. T (Introduction)
7. F (Introduction)
8. F (Introduction)
9. T (Introduction)
10. F (Concentration of Economic Power)
11. T (Concentration of Economic Power)
12. F (Concentration of Economic Power)
13. F (Concentration of Economic Power)
14. F (Strategic Control, National Borders and the Organization of the Corporate Elite)
15. T (Strategic Control, National Borders and the Organization of the Corporate Elite)
16. F (Strategic Control, National Borders and the Organization of the Corporate Elite)


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17. F (Financialization, Corporate Governance Reform and the Changing Shape of Finance Capital)
18. F (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
19. F (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
20. F (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
21. T (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
22. F (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
23. T (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
24. T (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
25. T (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
26. T (Introduction)
27. T (Introduction)
28. F (Concentration of Economic Power)
29. T (Concentration of Economic Power)
30. F (Strategic Control, National Borders and the Organization of the Corporate Elite)
31. T (Financialization, Corporate Governance Reform and the Changing Shape of Finance Capital)
32. F (Financialization, Corporate Governance Reform and the Changing Shape of Finance Capital)
33. T (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
34. F (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)
35. T (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)

## Short Answer Questions

1. Block's statement refers to the fact that the rule of the elite is not repressive. The elite need to generate consent: there is an ideological component to their rule that needs to be cultivated and actively maintained. Examples should include cultural and political mechanisms such as the media, policy think tanks, and academia. (Introduction)

2. Finance capital is a coalescence of the forms of capital (manufacturing and finance) under conditions of monopolization and internationalization. Students should identify that finance capital draws the largest corporations together, often linking banks and corporations together in a structure of interlocking directorates. (Strategic Control, National Borders and the Organization of the Corporate Elite)

3. Strategic power is control over the corporation through ownership of the majority of its shares. Students should note that this is fundamentally undemocratic in character in two main respects: (1) Directors are not elected according to the principle of "one vote per head," rather "one vote per share." This gives a minority of propertied individuals control. (2) Communities, workers, and consumers are excluded from the election of directors and thus exercise no strategic control of these corporations. (Introduction)

4. Financialization is the deregulation of capital. There is a transition from long-term investment to the desire for mobile financial capital to obtain short-term profits. Moreover, financialization of the economy indicates that banks prefer liquidity instead of long-term loans. It also works to increase the instability of capitalism, as the desire for short-term profit through mobile financial capital helps to create speculative bubbles. (Financialization, Corporate Governance Reform and the Changing Shape of Finance Capital)


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5. Internal cohesion among the corporate elite allows us to perceive a "business community," where there is frequent interaction and a common social vision. This being the dominant perspective, the capitalist class shapes common sense understandings of what is possible and what is "common interest." To perpetuate this hegemonic worldview, the corporate elite must have extensive reach into both political and civil society. (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)

## Long Answer Questions

1. Corporate power is conceptualized in three different forms. *Operational power* involves control of the labour process. *Strategic power* is the control of the corporate entity itself through ownership of the largest bloc of shares. Finally, *allocative power* stems from the control of credit. Students should identify that corporate boards of directors show traces of all three. Corporations (and their boards) are linked together in a structure of finance capital. (Strategic Control, National Borders and the Organization of the Corporate Elite)

2. Hegemony refers to the cultural and political aspect of elite leadership. It necessarily involves reshaping what it is considered "common sense" such that the interests of the ruling class are made to be the interests of everyone. Hegemony requires the consolidation of interests and cohesion of the ruling class and it has to reach into the cultural and political realm. Students should identify that the ruling class has shifted from social closure and leisure as the basis of group cohesion to business activism. Meritocracy means that a more diverse group needs to be united. The political form that this takes is in business councils, round tables, and think tanks. This is significant because these groups espouse neo-liberal ideology, have direct links with government, and are global in scope. Students might identify the role of business groups in crafting NAFTA, for example. (Changing Faces of Hegemony: From "Old Boys" to Meritocracy)

3. In Canada economic concentration has been parabolic. Since 1879 capital has been highly concentrated, but then was eroded following World War II and the rise of the welfare state. However, since the rise of neo-liberalism, exemplified through the passing of "free trade" agreements in the 90s, this concentration has been re-established. Students should note that economic concentration mostly entails profits and firm values as the absolute number of firms has increased tenfold since 1965. This concentration is highly correlated with the income share of the top 0.1% of Canadians. Finally, students should also mention that along with income and capital concentration there is also geographic concentration, as corporate head offices became increasingly centred in Toronto, Montreal, and to a lesser extent Calgary and Vancouver. (Concentration of Economic Power)

4. "Janus-faced" refers to something having more than one facade. Corporate power has two faces, the economic and the cultural-political. They can be seen by analysing the largest corporations in the corporate network. Workers, communities and states rely on the system of production and exchange where giant corporations pool money capital and concentrate social power. This is where the two faces intersect and become inseparable from each other. This maintains the system of rules that enable the corporate class to exercise their three forms of power (operational, strategic, and allocative power) across increasingly permeable international


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borders. For example, the two faces can be seen amidst transnational agreements, where the class interests of corporate capital are presented as general and shared interests. (Introduction)


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