

2

Hints and Allegations

On a blue-sky day later that spring, I found myself at a certain senior publishing professional's front door. He lives in a Toronto neighbourhood in transition, meaning caught in a class war. I'd been given his email address by an informant who demanded to remain nameless. Knows everything, I'd been told. Go see him.

I was still at the first stage in my research, just curious, just poking here and there, trying to figure out why I was so interested in the handover of M&S, why the story kept yanking at my knees like a hungry child. I had no inkling, then, that I wasn't just inquiring into the life and death of a publishing company and the national publishing policy. I was on the edge of a larger narrative about the way our politics work, about how control of what Marx might have called the means of reflection had been gathered in so few hands with such firm links to power.

A few blocks away, a well known author and his wife live in a beautifully renovated home on a 19th century street where Mercedes and Audis preen at the curbs. The city gardens there are small but perfect. This man's street was not so advanced in its rejuvenation. On one side, there was an array of painted row houses. On the other, an old woman who appeared to be fresh from the bars staggered up the path to her rooming house.

I could hear dogs breathing heavily behind his door. He'd warned me about them, but not about his incendiary views: perhaps that's why he too had demanded to remain anonymous.

As his dogs buffeted my knees, I made my way through the narrow front hall into a slightly down-at-heels living-room which would have

been unremarkable in Bloomsbury circa 1935. It was designed for the comfort of people who read, and who talk about what they read. A deep couch and three upholstered club chairs were set around a circular coffee table, its tiered surfaces hidden by mounds of books and marked up manuscripts. The dining room beyond glowed in the late afternoon light. A majestic Edwardian sideboard shimmered behind a gauze of dust motes. It was a home from another era, yet the man in front of me was youngish, certainly younger than me. Dishevelled hair; flushed, yet pale skin; a bit on the heavy side, as if he spent too much time at his desk; clothes of no distinction and not artsy black. One of his dogs flopped on my feet, demanding petting.

He'd responded to my first email with a digital screech:

Who are you? What do you want?

Who are you was a good question. Yet it was impossible to answer. I'm too old to reduce myself to a few sentences. He could have zeroed in more tightly on my political beliefs, but they are no easier to spit out. My understanding of things has been revised and revised and revised again through the years. He could also have asked if I think that Canadians need cultural mirrors to reflect our shared multicultural identity, and whether such reflections must be guaranteed by a national policy enforced by the State. What would my answer be?

I think I believed in all of that while learning my craft as a journalist at *Maclean's* in the 1970s. As I sat in one of his club chairs trying to figure out what to say, I remembered the exhilaration I felt when I began my career there. We were making an ideological commons, a home for stories that Canadians could immerse themselves in just by picking up the magazine. Magazines are small countries. They are always changing and evolving, they are both creative and reflective.

What do you want? It was an even harder question to deal with.

What *did* I want? I was painfully aware that the time I have left is shrinking, and should not be wasted on stories that will be forgotten before they wrap the fish. Maybe this M&S story was much ado about who cares.

I stuttered out some sort of answer. By contrast, he had no difficulty describing himself to me. Liberal, he said. He'd been a student of the works of both Hugh MacLennan and Louis Dudek, who had been teaching at McGill, just before the Americans took over the English department and these giants of Canadian literature went out the door. Everything he said marked him as a Canadian nationalist to the core.

We tussled for a bit over the current state of Canadian publishing. I said something provocative like: what's in it for authors anymore since we give up 90% of the take to booksellers and publishers who can't get our books reviewed, let alone sold? I told him I'd just self-published a book that had been bought but then offloaded by Penguin, and it had been an interesting experience and probably the way things will go in future. He asserted that self-publishing would never substitute for a Canadian publishing industry because it would never produce literature. He, as a publisher/gatekeeper, brings to his authors the years he spent at university training his mind, his tastes, and his methods, not to mention all his subsequent years of experience. This is why his authors' books get nominated for prizes, year after year.

Big deal, I wanted to say, what have prizes got to do with it? I've been on prize committees, I know how choices are made. But I held my tongue, because I decided I liked him. He was so certain, so passionate. I used to be certain and passionate too. Maybe that's why I confided in him as if explaining my present self to a younger version. I told him I was still kicking the tires on a story about the death of Canadian publishing policy beginning with the handover of McClelland & Stewart, but was finding it hard to clear a path through my entanglements. I laid them out, especially the problem of writing about Penguin Random House Canada, once such supportive publishers, now something else again. On the other hand, these changes were what had made me think this was a story I should tell. The publishing policy's story arc ran parallel to my own career as a writer. It had shaped me, it made my working life possible.

I explained that I started my career just as the policy was born. I was hired as a researcher and then editor at *Maclean's* when Peter

C. Newman was Editor. He was finishing the first volume of *The Canadian Establishment* and pushing—along with his publisher, Jack McClelland—for government support for Canadian storytelling, and especially for Canadian periodicals like *Maclean's*. By the time I got to work in the morning, Newman had been at his desk for hours, plowing through transcripts of his interviews as jazz blew through his headset. He was writing about the Canadian business elite as it then was, introducing the rest of us to those who had been running the country, often on behalf of foreign masters, for generations. His next volume would be about the people he called acquiritors who were poised to buy the old guard out, people I too found myself reporting on only a few years later. We—the more junior editors and writers on *Maclean's* staff—knew that our job was to discover, present, promote and critique Canadians of every sort, from politicians to cowboys to feminists, from musicians to writers to scientists, to give them platforms to propound their ideas, to shape national debates, to make sure there *were* some.

As I said these things out loud to my informant, I was hit by a wave of sadness. Too many of my colleagues from that time were no longer above the grass. They'd died, just like many of the ideas we'd shared.

One of my jobs at the magazine had been editing the book review pages and excerpting new books for the feature section of the magazine. I had excerpted a reissue of a non-fiction book written by Hugh MacLennan. I had also set up *Maclean's* first bestseller list at the behest of one of *Maclean's* more senior editors, John Macfarlane (who went on to a long career leading several national magazines and co-founded the publishing company Macfarlane, Walter & Ross). To create that list, I had to set up relationships with booksellers across the country who we could call once a month to find out what was selling. Remembering how tricky it had been to get that list going was why I found myself gritting my teeth whenever I opened the shrinking book sections of my weekend newspapers to scan their bestseller lists. These days there are two: one labelled 'Bestsellers,' the other, below, labelled 'Canadian.' While there is no text explaining the difference, it is pretty clear that the bestsellers lists

record the books selling in the greatest numbers in Canada. While Canadian authors telling Canadian stories sometimes appear on the bestsellers lists, it is getting rarer. Lately, they mainly record the success of works originated elsewhere.

I told him that just looking at these lists made me feel as if we had come full circle, back to when Canadian meant *lesser*. Yet as I said these things, I wondered why I was making such a fuss. In my *Maclean's* days, no one pooh-poohed Canadian so-called literature more loudly than I did (only to be shocked to find that Alice Munro really is as great as everyone said). I read the books I sent out for review, and most of them did not appeal. Hadn't I gone to the trouble of getting a magazine job offer in Los Angeles as soon as my husband found television work there? We were thinking that L.A. is where we should be, because Canadian journalism, and Canadian film and TV, were patently inferior to what was produced down South. Hadn't I hunted up a New York literary agent? Would I have done that if I believed in the value of Canadian stories told to Canadians? And yet it was also true that when I wrote for a foreign audience, I found myself at sea. My touchstones were Canadian: my metaphors were Canadian; my context was Canadian. It was Canadian stories I wanted to tell.

All of this just poured out. As I listened to myself explain and contradict and explain again, I realized that the reason this M&S hand-over story would not let go of me was because it was personal. I didn't want to say that to him: reporters should avoid inquiry into that which is personal. So, I fell back on saying that I was troubled that the *Investment Canada Act*, though still on the books, seemed to be ignored, that the deals permitted were getting bigger and bigger. How come? A law is supposed to mean something, isn't it?

"You're right," he said. "I need to get my glasses so I can look at you. I see why you were sent to me."

He rose from his chair to go find them. He turned and wagged his finger.

"But be careful, be very, very careful," he said. Then he disappeared into the hall.

What in hell did he mean by that, I wondered.

He came back with his glasses perched on his nose. "You are treading where angels fear to tread," he said, wagging that finger again, lips pursed as he sank into his chair.

Never tell a reporter don't go there, because of course she will. Never tell a reporter that the people she is interested in are very dangerous, because she will have to throw herself at them to find out why.

He proceeded to tell me that the definition of a Canadian publisher had been adjusted after the gift/sale of M&S so that M&S, in spite of being bankrolled, administered, and marketed by Random House, could still qualify for membership in the Association of Canadian Publishers which represents Canadian independents. The requirement for membership had been 80% Canadian owned until 2001, he insisted, but then someone changed it to keep M&S on board. And, he added, there were friends of M&S in official places who had made sure that M&S got public money it wasn't entitled to. He'd tell me all about that later, he said. But first, he offered an anecdote.

In the summer of 2000, someone he knew at *Quill & Quire*, the book trade publication, told him that M&S was being given to U of T, and that Random House was to take over marketing and administration. There was going to be a press conference. He'd called up people at the University of Toronto Press, assuming they'd know more, only to discover that they knew nothing about it. They had "scrambled to attend" the press conference because they hadn't even gotten the press release. My informant went to the press conference too, with his boss.

He'd listened to what was said about Random House taking on the management of M&S's marketing and sales, while M&S's independence would be guaranteed by the creation of a new M&S board. "I said to colleagues at University of Toronto Press, it's a fucking lie," he said. Then someone, he couldn't remember who, asked Avie Bennett how this deal fit within the rules about Canadian ownership of publishing companies. Bennett, my informant said, replied that "he'd offered the company to Jack Stoddart and Anna Porter, and they had declined."¹⁴⁸ My informant knew Jack Stoddart pretty well. He'd heard nothing from Stoddart about any such offer.

He stopped. He looked at me, his eyes narrowed. You know Avie got a huge tax credit, he asked?

How much? I asked.

It was \$15 million or in that realm.

Is that known, or rumour?

That's what he'd heard, he said. And from that, he'd figured that M&S must have been valued at a total of \$45 million in order to justify such a huge tax credit. As I wrote down his claim, I did my own calculation. Since Random House had bought 25% of the shares, and U of T got 75%, if the \$15 million tax credit figure was correct, then the value of the company must have been more like \$20 million, not \$45 million. I began to listen to him a little more skeptically.

So, he said, after the press conference he went back to his office and called up Jack Stoddart at his cottage. He'd asked him flat out if Avie Bennett had tried to sell M&S to him. "You know better," Stoddart had replied. And then he'd called Anna Porter. "Anna said something along the lines of, 'Trust me, if I had been offered it, I would have found the money to buy it.'"

"Now flash forward to 2004," he continued. He was at the Canadian Booksellers Association convention. He was in a booth across the way from McClelland & Stewart's where there was a display of a book on ways to cook with pork fat. This outraged him.

How many Jews died so you could publish this? He'd hissed at an M&S colleague. His colleague told him to play fair, he said, with a sniff. "I thought I was," he said.

"What are you talking about?" I asked.

So he explained, and when he'd finished explaining, I checked. Not long after the 1998 purchase by Bertelsmann of the then-American-owned Random House (which had long since acquired Knopf and Doubleday and Dell, plus various other famous American publishing companies), ugly accusations about what Bertelsmann did under the Nazis during World War II were aired in the press. The general allegation was that Bertelsmann had greatly benefited from the Nazi State: specifically, the charges were that it had run printing plants with slave labour, and it had published millions of propaganda tracts and books for the Hitler Youth and the German army. An Austrian journalist

named Hersch Fischler and American journalist John S. Friedman published these claims in *The Nation*—Fischler had published them first in a Swiss newspaper called *Die Weltwoche*.¹⁴⁹ Bertelsmann's official history said something quite different. It had been written by a man who had helped publish the fraudulent Hitler diaries in *Stern* magazine (owned by Bertelsmann). The official corporate history claimed that the company had been shut down by the Nazis in 1944 because it was a political thorn in the side of the Nazi state.¹⁵⁰

In response to these claims, Bertelsmann decided to open its company archive to a group of independent historians, led by a history scholar at University of California Berkeley, Saul Friedlander.¹⁵¹

In 2002, the independent scholars published their 800-page report.¹⁵² They had determined that Bertelsmann's war-time controlling shareholder, Heinrich Mohn, the father of Reinhard Mohn who by 2002 ran the foundation controlling Bertelsmann, had indeed printed millions of tracts and books for the Hitler Youth and the German army. Its contractors had made use of slave labour in Lithuania. In fact, the company, which had got its start in the 19th Century publishing religious materials, had thrived in Nazi Germany by publishing its propaganda. Heinrich Mohn had also been a donor to the SS. After the Allies invaded Germany, Bertelsmann had got back on its feet quickly because British officials were told that the Nazis had shut the company down in 1944 for political reasons. Bertelsmann was therefore given a license to get back in business. The Commission found the Nazis had indeed shut Bertelsmann down, but not because it was politically unacceptable. It was due to the suspicion that it was illegally stockpiling scarce paper.¹⁵³

Ohmigod, I said. I had no idea.

Now my informant veered back to what he really wanted me to think about.

"Meanwhile, M&S collected millions from the Canada Book Fund, the Ontario Media Development Corporation, the Canada Council, the Ontario Arts Council."

What are you saying? I asked. Are you saying they didn't qualify for grants but got them anyway?

Yes, that's what he was saying. "And they got millions," he said again.

But the granting agencies only give money to Canadian publishing companies that are *owned and controlled* by Canadians, I said. The qualifying level of ownership for some of the programs in Ontario is 75% and M&S was 75% owned by a Canadian institution. Why wouldn't they qualify?

But was it *Canadian* controlled, or was it controlled by Random House? He asked.

In addition, he asserted, M&S had been, in his belief, over-funded by officials at the Canada Council who misapplied certain formulas in its favour. My informant had pointed out to officials that certain books published by M&S had been funded as if they were new, when they were in fact being reissued (new works earn a higher grant than reissues of books from a backlist), and that certain books had been funded as works of fiction (which earn a higher grant than non-fiction) when they were not, books such as *Canada: A Peoples' History*, he said. My informant had been irritated enough to file access to information requests about this which had produced documented evidence from the Canada Council that books that should have been treated one way had been treated another. When he pointed this out to officials by reference to the database recording the matter, an official "corrected" that database. And he was warned to back off or be cut off.¹⁵⁴

Just go back to what you said before, I said, your allegation that M&S got grants it wasn't qualified to apply for. Explain that.

From the moment Random House bought 25% of M&S, he explained, it was well known that the company no longer had "its own bank account" and that Random House issued cheques on behalf of M&S. This, in his view, spoke directly to the issue of control. M&S's distribution was also moved to Maryland though books sold in Ontario must be distributed by Canadian companies. Canada, he said, had done a bad job of building institutions, which was a legacy of being a colony: only the Crown matters, he said.

He was suggesting that rules don't matter as much as they should in government agencies: friends matter more.

I asked him about the net benefit undertakings given to the Minister of Canadian Heritage when Random House bought

U of T's shares of M&S in 2011. And I asked about the undertakings made when Random House was allowed to merge with Penguin Canada in 2013.

"The undertakings are basically 'while you screw us, wear a condom,'" he said dismissively.

As far as he could tell, the whole publishing system, including enforcement of the national publishing policy and the *Investment Canada Act* had begun to go wrong after the Free Trade Agreement. "When the air is poisoned, so is the sealed room," he said. The government policy encouraged foreign-owned publishers already active in Canada to start publishing Canadian authors, and from that point, Canadian independents could not compete for those Canadian authors who found an audience. "Coach House [authors] were getting poached," is how he put it. His company's authors were getting poached too. He had tried to keep up and to compete. At one point, he made an offer on a new project written by a suddenly famous novelist who had begun his career with small Canadian independents. The most he could muster was \$6,000. The advance offered by a foreign-owned publisher was \$120,000. If the provincial governments bought Canadian novels for the schools, he said, instead of more famous American books such as Harper Lee's *To Kill a Mockingbird*, "I wouldn't need grants."

The more he talked, and complained, the more it seemed to me that the most dangerous thing he'd told me was that after the gift/sale of M&S, it got grants it no longer qualified for because Random House controlled it. I asked again for clarification.

Not just a few, he said, but more grants than any other Canadian publishing company. He wagged his finger in time with each word.

Surely he didn't mean that, I thought. So I asked him again. Did he mean it?

He didn't answer directly. Instead he said the Chapters-Indigo merger should never have been allowed. Beware this person and beware that one, he said, tossing names around like petals, well-known names, names with many honours attached. A certain institution in town accepted gifts that were fakes, producing questionable tax credit receipts, he alleged. Even though there had been great

difficulty getting a favourable opinion on the authenticity of one such gift, nevertheless, a gigantic tax credit receipt had been issued. He had information from the inside, he knew what he was talking about and he had voiced his opinion loudly at a dinner party. The person sitting next to him had taken umbrage, said he knew the man being defamed very well, who would be told, and my informant would be sued. No lawsuit ensued.

Are you saying that there's a practice among certain charitable institutions of letting big donors get away with things? I asked.

I was trying to get him to say something that I could check, a number, a date, something substantial, not just these hints and allegations. But whenever I pressed for details, he just offered another allegation.

Where can I check on these grants to M&S? I asked.

He said I should look up the annual grant reports published by the federal and provincial governments and I should ask the bureaucrats to help me get the facts and figures. "If you put it that you're writing a *success* story, they'll be all over you," he advised, bitterly.

How much money are you saying M&S got that it wasn't entitled to? I asked.

"It's millions," he said.¹⁵⁵