



*Inco workers during the 1978-79 strike.
What are the alternatives today ?*



Perspectives on the recession in Canada

By Peter Warrian

The following paper will discuss the socio-economic crisis in Canada caused by unemployment and the recession. The timing and extent of this crisis has been the result of active political decisions by government and reflective of Canada's place in the world economy. At the international level, it will be argued that there is a crisis of accumulation in the world capitalist system, whose only historical parallel was the crisis of 1870 to 1890. The expected result is not an imminent collapse of the system but a restructuring of the international division of labour and reconsolidation of capital.

Peter Warrian is Research Director of the United Steelworkers of America (USWA), Canadian Division.

Address: USWA National Office, 55 Eglinton Ave. East, Toronto, M4P 1B5, Ontario, Canada.

The article by Peter Warrian was first presented as a paper to a Conference on The Global Impact of the International Monetary Fund and the World Bank, held in Toronto, September 8, 1982.

Canada, the United States and indeed the world economy is in the midst of the deepest recession since the Great Depression of the 1930's. The current unemployment rate is officially 12 per cent, and in real terms is probably 18-20 per cent taking into account the underemployed and those who have given up looking for work.

Beneath these aggregate figures, there is an even harsher reality in specific sectors, regions and communities, reflecting the structural weaknesses in the Canadian economy: our over dependence on resource extraction for export and the weakness of Canadian manufacturing. In Northern New Brunswick, the unemployment rate is 46 per cent. It is close to this level in Sudbury. The forest industry has 40 per cent of its work force on layoff. The mining industry has been the same this summer, and at times higher. Virtually every mine in the country has been on layoff or shutdown. We have lost approximately 400,000 jobs mostly in manufacturing since August of 1981, the largest number of them being in Ontario. Taken together, this means that we are in a Depression. It is not immediately obvious in the downtown of a major metropolitan city like Toronto, but the Depression has hit in Industrial Canada, in the mining and forest communities, in the fishing villages and the industrial towns.

The social effects of the recession and unemployment are at first those of discomfort and inconvenience: retail stores gone out of business or short on stock (not carrying inventory), declining consumer choice, boarded up real estate and travel agency businesses. At a harsher level, it is expressed in lost hopes and opportunities as particularly women and young people go without work or are the first laid off. The modestly successful but important campaign to get women into non-traditional production jobs in the steel industry has been undercut by the layoffs. More brutally, the underlying frustration and anger are reflected in the rising statis-

tics on family violence, wife-beating and child-battering in Canada.

The biggest single cause, though obviously not the only cause, of all of this is the economic slump. The economy is down, and for every one except statisticians, it is in all likelihood staying down for at least another 18 months. The government's continued adherence to high interest rates, budget cutbacks, and the recent "6 and 5 per cent" incomes policy will guarantee us staying down. The months ahead will see even more unemployment, major bankruptcies, and a crisis in local government budgets as people come off unemployment insurance and go onto welfare.

The current economic slump is not only different quantitatively from the nine or so other recessions we've had since World War II. It is also qualitatively different. The economy is being reorganized. When it comes back up it is coming back up in a different place than where it went down.

The reorganization of the Canadian economy

Our economy is being changed, reorganized, with respect to three dimensions:

- distribution of wealth and power;
- technological change;
- the international division of labour.

a. Wealth and power

Wealth and power is being redistributed in Canada. That is the hidden logic underlying the government's otherwise unintelligible economic policies. Labour incomes, to wage and salary earners are being suppressed. The average industrial wage has trailed the consumer price index since 1976, and the average industrial worker is 1 USD per hour behind where he and she was in 1976. Canada had the lowest growth in labour compensation per unit of output in the OECD countries from 1971 to 1981. And, now we have the 6 and 5 per cent incomes policy to put us further behind. At the same time, our social wage in the form of social serv-

ices, education, medicare, welfare and pensions are being cutback. On the other side of the ledger, sales and profits of the corporations are certainly down. There is no doubt we shall see major bankruptcies. However, capital is being reorganized as well. In 1980-1981 there was a major escalation of corporate mergers and takeovers, only part of which had to do with the National Energy Programme. In the last two years, of the 32 GUSD in corporate lending by the Canadian chartered banks, 14 GUSD was related to the NEP, 18 GUSD was related to other forms of corporate cannibalism. In addition, the shortterm debt load of non-financial institutions escalated enormously, it went from 6 GUSD to 19 GUSD in 1981 alone. Some will drown from it, others will take over a wider place at the trough.

In summary, working people are suffering unemployment, social cutbacks and shrinking incomes. This is justified in public by its apologists on the basis that "we have priced ourselves out of the market", "too much welfare", "Keynesianism has failed", "Trudeau socialism", etc. On the other side of the ledger, things are also being reordered. One of the unmentioned effects of Keynesianism and attempts at full employment and welfare state policies since 1945 has been to stave off a kind of capitalist house cleaning we haven't seen in forty years. I expect that this is exactly what we are about to see. The survivors, in 1983 and 1984, will then set out to reestablish their profitability and consolidate their power.

b. Technological change

The second area of reorganization of the economy is the escalating rate of technological change. We associate this with certain consumer products, particularly electronic devices and games, and industrially with micro-chip technologies and robotics. In the workplace, workers are being told "change or we won't survive", and for many out of work there will not be jobs to go back to, even after the recession

is over. Quite candidly, the pace and extent of technological change before us in this decade is one that we are unprepared for socially and labour is on the defensive over. Trade unions are striving to deal constructively with technological change while wading through an ocean of unemployment and with no real protection under labour relations legislation. While academics and free lancers such as Toffler speaks of a Third Wave of opportunity for labour-saving services, energy efficiency, information processing and transfer, and liberation of a greater human potential in the Global village, labour is unconvinced. Our members' experience with technology has been that it cuts off fingers, hands and limbs, kills lungs and hearts, deadens the mind and throws people out into the street. If the new technologies remain in the exclusive hands of management and the transnational or multinational corporation, we will more likely have a large work camp than a global village.

c. The international division of labour

The third aspect of economic reorganization is in the international division of labour, in the global system of production and trade. The post World War II boom period, and its undeniable growth and prosperity, was predominantly based on the growth of domestic markets and trade between the advanced industrial countries of the OECD. Since the 1960s, and increasingly in the 1970s, however, we have seen the rise of major industrial capacity in the so-called NIC's, the Newly Industrialized Countries such as Brazil, Mexico, Taiwan, Korea, Malaysia, etc. The industries where this capacity has been installed are steel, autos, shipbuilding and consumer goods. The heavy industry, capital-intensive capacities in steel, auto and shipbuilding have come to threaten the 'mature' industries of those sectors in North America and West Europe. In consumer goods, particularly electronics, textiles and light manufacturing, the capacity has

often been set up in so-called EPZ's Export Processing Zones, which are free from duties, taxes, environmental and labour standards regulations of the host countries. The Zones, which in 1980 employed a million people, the largest proportion being young Third World women, are low wage and "union-free" environments in electronic assembly and textiles. It has been reported that in Malaysia the young women workers have a productive life of approximately 4 years because of the pace and intensity of the precision assembly work in micro-electronics, after which they are returned to their villages.

Their wage rates are 1.50-2.10 USD¹ per day. Personnel policies combine authoritarian discipline with human relations techniques, including company slogans, publications extolling traditional feminine attributes and recreational activities such as beauty contests.

The growth of EPZ's is associated with world sourcing, world marketing, the division of industrial production into sub-processes and has been actively promoted by the World Bank.

This model of development of a 'new international economic order' (not the NIEO as we talked of it in the mid-1970s) is associated in the economic literature with the concepts of "the new credit economy" and "export substitution" in the work of Lipietz and Palloix.² The strategy of industrial relocation and export substitution, which the IMF and the World Bank have encouraged and facilitated, poses a direct threat to the living standards and trade union rights of North American and Western Europe workers. Short of a social revolution and redistribution of income in the Third World, there is no way that this new industrial capacity can be digested by those countries. Attempts at redistributive policies are exactly what the IMF imposes as a condition for loans. And, union organization is suppressed, e.g. the repression of the Urban Industrial Mission in Korea.

Politics of the recession

The labour movement in Canada has been consistent, and almost alone, in seeing the recession as at root political.

The policy of monetarism, with slight national variations (in Canadese "Gradualism") has been around since the mid-1970's. However, in 1981 there was a radical departure led by the Reagan Administration and the Thatcher government, whereby the governments of the OECD countries explicitly committed themselves to extend monetarism to the global level and run the world economy into a recession. The policies of high interest rates, tight money, social cutbacks, incomes policies (wage controls) and contract concessions from labour are all of one piece. There was to be a holy war against inflation, fought on the backs of the unemployed. The governments delivered a harsh message to their domestic populations: we must cutback, become leaner and more competitive in the national interest so that we can be internationally competitive, export and grow. Subsequently we have had the comparative race to see who can cutback wage and public spending the most. The most obvious flaw in this strategy, beyond its social inequalities, is that it is self-defeating. If every economy dramatically constricts demand, where these much-vaunted exports to be sold? The predictable result is that world trade came to a halt in 1981 and is falling in 1982.

The policies of monetarism have not worked and the governments of the OECD are coming under increasing pressure to act on unemployment.

The IMF, in the 1982 Annual Report prepared for that other Conference being held in town expresses "widespread dissatisfaction and concern" with global economic conditions.³ However they are looking through the other end of the telescope. The IMF is urging governments not to yield to pressures to stimulate the economies and reduce unemployment. The IMF calls for "courage" in the face of the governments' own people and continua-

tion of monetarism accompanied by "appropriate adjustment policies". By this they mean social cutbacks, curbing food subsidies and addressing the "inflexibility" in the structure of wage rates. As an example of flexibility, they put forward the Japanese model. Let me say in passing that the 'Japanese model' entails the following unacceptable features:

- 1) bonus rather than straight wages comprise the largest share of workers' incomes. The bonuses are dependent on corporate profitability over which the workers have no determinative decision-making power;

- 2) the much-heralded form of lifetime job security applies only to a minority of workers, mostly males in large enterprises. The rest of the workforce is in small enterprises or contract labour, mostly comprised of women who are regularly pushed in then thrown out of full time work;

- 3) Japanese unions are enlisted to play the policeman role in suppressing dissent in the company and issuing industrial discipline.⁴

Finally, on top of weak trade, the IMF says that protectionist measures by the industrialized countries "would be particularly injurious to the trade prospects of the developing countries" and their ability to earn foreign currency to pay off their debts. No doubt, the pre-occupation here is with the defensive reaction of unions in the mature steel, auto and textile industries of North America and Western Europe pushing for job security and import restrictions. The clients of the IMF and World Bank in this regard are beneficiaries of its "export substitution" development strategy in the NIC's and EPZ's.

The result of all the above is political polarization. The interests and policies of the IMF/World Bank are in conflict with unionized industrial workers in the OECD countries. Further, the policies of monetarism, high interest rates and unemployment is causing increasing political conflict for the OECD governments on the home front. Indeed, in this regard Key-

nesianism was much more than simply an economic policy of full employment and counter-cyclical fiscal and monetary techniques. It was also a class political compromise. It was a deal: the ownership and control of the dominant means of economic production and distribution remained and were legitimated in private hands, on the condition that employment and growth were substained. If Keynesianism is over, then the deal is off. Politically we face a crisis in democratic capitalism⁵. A new deal entails a fundamental shift in the 'mixed economy'.

Crisis in the world capitalist system?

We talk, I have talked, about an economic, social and political crisis. Is there a crisis in the world capitalist system?

I don't believe there is a crisis, in the sense that the system is about to suffer an imminent collapse. It is however going through a major restructuring, with traumatic unemployment and social effects, accompanied by bankruptcies in major corporations and defaults in some countries.

If there is within the system a crisis, it is a crisis of accumulation that dates back to the late 1960s, prior to but accelerated by the OPEC Crisis of 1972/73. From the mid-1960s, there was a slowdown in growth, and hence profitability in the mature industries of steel, auto, etc in North America then Europe, which had been the key industrial expansion in the pre and post-World War II era. 'Western prosperity' was very much dependent on them. So-called 'Fordism as a mode of accumulation and consumption had reached its limits. The problem we are faced with is, to the extent that you have an economy dominated by privately owned corporations, their ability to grow, make a profit, accumulate and invest is fundamental to maintenance of income and employment. What we have seen in the last decade and a half is the multinational or

Aerial view of the Kidd Creek open pit mine north of Timmins, Ontario.



transnational corporations, in league with the IMF – World Bank develop their answer to the crisis of accumulation by a major shift to the NIC's and EPZ's.

If the crisis is real, and I believe it is, then what do we do domestically and internationally? If there is a major international shift in the organization of capital, then the formations of class are also changing, particularly the relationship of Third World workers and First World industrial workers. It is not too much to say that the dynamics of the accumulation crisis will dominate the political agendas of trade unions, popular movements and their political parties for this decade. Will the redistribution of income from wage and salary earners to capital in Canada and the OECD countries work? If so,

on whose terms and how will the social burden be distributed? Will North American and European workers construct a defensive wall against imports? Or, will trade union and human rights be achieved, along with social redistribution in the Third World? Will new mechanisms of financial allocation and trade emerge, on different terms than the IMF, the World Bank and the EPZ's?

These are some of the questions flowing from the analysis presented above. Trade unions will have to deal with them as a matter of practical necessity. Academics can contribute by deepening and broadening the analysis. Concerned church people can extend the arena of discussion for our options.

Notes:

¹ International Confederation of Free Trade Unions, *Export Processing Zones*, 1982. From 1979–81, the number of EPZ's increases from 220 to 370. Their share of world trade is expected to rise from 8 per cent to 20 per cent by the end of the decade.

² See Alain Lipietz, "Marx or Rostow?" and "Towards Global Fordism?". *New Left Review*, No. 132 (Mar–April, 1982).

³ *Globe and Mail*, 1982-08-24.

⁴ See John Junkerman, "We are Driven: Life on the East Line at Datsun", *Mother Jones*, August 1982.

⁵ See Adam Przeworski and Michael Wallerstein, "Democratic Capitalism at the Crossroads", *Democracy* 2, July 1982, p. 52–68. ■

Table 1

Canada, production of leading minerals 1980 and 1981
(in kt and M CAD, except where noted)

	1980	1981	% change 1981/80	1980	1981	% change 1981/80	Rank in world production 1981
Metallic minerals							
Iron ore	49 068	49 844	+ 1.6	1 700	1 918	+12.7	5
Copper	716	718	+ 0.2	1 860	1 591	-14.4	4
Nickel	185	155	-16.0	1 497	1 415	- 5.5	1
Zinc	884	995	+12.6	858	1 193	+39.1	1
Gold (t)	50.6	49.5	- 2.2	1 165	881	-24.4	3
Silver (t)	107	120	+12.4	829	487	-41.3	4
Molybdenum	11.9	14.1	+18.9	299	317	+ 6.0	4
Lead	252	273	+ 8.5	274	268	- 2.2	3
Platinum group (t)		19			224		3
Cobalt ¹		2.6			102		3
Magnesium		8.8			30		5
Selenium ¹		0.3			7		1
Cadmium		1.3			6		4
Tin		0.2			5		2
Calcium		0.6			4		2
Industrial minerals							
Potash	7 201	6 815	- 5.4	1 021	1 051	+ 2.9	2
Cement	10 274	10 368	+ 0.9	581	681	+17.1	..
Asbestos	1 323	1 133	-14.4	619	589	- 4.7	2
Lime	2 554	2 463	- 3.6	129	149	+14.9	..
Salt	7 423	7 283	- 1.9	123	135	+10.0	7
Clay products	108	120	+14.9	..
Gypsum	7 336	7 800	+ 6.3	40	46	+17.5	2
Energy minerals							
Petroleum (km ³)	84 477	74 763	-10.4	9 038	9 411	+ 4.3	9
Natural gas (km ³)	87 108 000	82 186 000	- 5.6	6 149	6 157	+ 0.1	5
Coal	36 688	39 250	+ 7.0	932	1 046	+12.2	10
Uranium (t)	6 739	7 746	+14.9	702	770	+ 9.6	2 ¹

Notes:

¹ Market economies only ² Not among top ten .. Not available

Sources:

Annuaire Minemet 1981

Canadian Mining Journal, February 1982

Financial Times, 1982-09-08

Mining Annual Review 1982