# ALTERNATE ROUTES A Journal of Critical Social Research

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# Peripheralization of the Centre: W(h)ither Canada?

Dave Broad

This paper offers a conceptualization of Canada's social, economic and political woes in terms of a peripheralization of the centre or, more colloquially, Latinamericanization of Canada. Drawing on literature which deals with the "new international division of labour", the author argues that current problems of so-called deindustrialization, high unemployment, state and corporate attacks on trade unions and cuts in welfare-state funding may not simply be symptoms of economic crisis in general, but phenomena related to a much larger process of global industrial restructuring. This restructuring could drastically alter the capital/wage-labour relation, processes of production and the role of the state in the reproduction of Canada's social relations. There are foreboding signs that this transformation is one which will bring Canadian society closer to the Third World norm. But there are also signs that the process of peripheralization is breeding resistance.

## Introduction

The purpose of this essay is to ascertain how world systems analysis might help us to understand current social changes in Canadian society. And I must state from the outset that this essay is more a theoretical elaboration and illustration than an empirical demonstration. There are two sets of literature in world systems scholarship which are germane to this enterprise. The first is that literature which deals with the "restructuring" of the international division of labour (Jonas and Dixon, 1980), or the tendency toward a "new international division of labour" (Frobel et al., 1980). The second is that which deals with the "peripheralization of the centre" (Dixon et al., 1983), or what Barnet and Muller (1974) have discussed as the "Latinamericanization of the United States."

In what follows I wish to explore the fruitfulness of suggesting that, given the context of a restructuring of the international division of labour (IDL) toward a globalization of production, there is the tendency toward a peripheralization of Canadian society -- such that Canadian society is coming to look more like what we expect to find in the so-called Third World.

This essay was presented to the annual meeting of the Canadian Sociology and Anthropology Association, McMaster University, Hamilton, Ontario, June 2-5, 1987. The author wishes to thank Lori Foster, Dennis Olsen and two anonymous reviewers for their comments on an earlier draft while remaining culpable for the final product.

This implies contextualizing high unemployment, state and corporate attacks on trade unions, cuts in welfare state funding, and so forth not simply as symptoms of depression or economic decline, but as phenomena related to a much larger process of global industrial restructuring which is drastically altering the relation between capital and wage labour, the process of production and the role of the state in the reproduction of Canadian social relations. Foreboding signs can be found in the present Tory free-trade initiative, the privatization binge, the review of unemployment insurance benefits, the growth of food banks, and rumblings about a larger "security" role for the Canadian state. But there are also signs that the process of peripheralization is breeding resistance through; Canadianization of the United Auto Workers and labour struggles against all that the free-trade initiative implies; through church struggles against increasing immiseration of population; through Aboriginal people's struggles against intensified exploitation of their resource heritage, et cetera.

### The World System

There are liberal and Marxist variants of world systems analysis. For both, nation-states are conceived to be part of an international division of labour and are ranked hierarchically according to their mode of insertion into the world economy. Most developed are centre, or core states, followed by semiperipheries and peripheries.<sup>2</sup> Interstate relations are typified

by domination and exploitation. Historically, centre states have benefited from their exploitation of periphery and semi-periphery economies. Various forms of imperialist exploitation have distorted the development of non-centre state productive forces, leaving them dependent on export to the world market. International divisions of labour (IDL) have changed since the inception of the so-called European world economy3, with changes in power relations between states and with the development of world capitalism. But the IDL has continued to be characterized Marxist world systems by the centre-periphery axis. For analysts, these nation-state relations are based on and crosscut by class relations and exploitation.

With the advancing transnationalization of the capitalist production process there is some indication that centre-periphery relations of exploitation are changing. The freedom with which transnational corporations can move many factors of production over the globe is making state boundaries less significant. If production conditions are more profitable in one area than Labour unions another, the transnationals can pick up and move. in the centre perceive this as a direct threat to wage levels and job security. This threat is compounded by the fact that production processes are being both deskilled and parcelled over the globe. Thus labour's still localized struggles are weakened. Current high rates of unemployment and lower skill requirements make recalcitrant workers relatively easy to replace. globally-parcelled and internationally-duplicated production make

local and national walkouts less of a threat to transnational capital.

According to Dixon et al. (1983:190) these changes, "at the theoretical level, point toward a redefinition of the concepts of core, periphery, and semi-periphery." They suggest that, because of deskilling and transnationalization of the production process, working and living conditions in the centre of the world system are coming to replicate those of the periphery. Discussing the U.S. case, Dixon et al. (1983:176) state that:

in their effort to become more competitive, U.S. capitalists have sought ever cheaper. ever more productive (but deskilled and degraded), ever more vulnerable sources of labour. For the U.S. working class this results in ever-increasing unemployment among unionized blue-collar workers. further growth of the permanently unemployed underclass, and an increasing demand for the low-paid, unskilled labour of superexploited, undocumented immigrants (cf. Barnet and Muller, 1974).

For the Canadian case, Holmes and Leys (1987:9) argue "that a shift is occurring from highly paid, full-time, male employment in manufacturing to lower paid, part-time, female, and youth employment in the service sector." This is all part of the process I am calling the "peripheralization of the centre" -- the transformation of high-wage liberal-democratic societies, into low-wage authoritarian societies.

Though Canada may not share all the features of peripheralization which Dixon et al., attribute to the U.S., I think that their conceptualization of this process of social transformation can be fruitfully applied to Canada. I will begin with a discussion of changes in the international division of

labour and the contemporary crisis of global capital accumulation. This will be followed by a look at Canada's role and place in the world economy, and a discussion of tendencies—social, economic and political — at work in Canadian society which support the peripheralization thesis. I will conclude by pointing to countertendencies which might mitigate the deleterious effects of the peripheralization process on working and middle-class sectors, and by discussing current labour and social struggles against increasing austerity and authoritarianism.

# Restructuring the International Division of Labour

The modern world system is the product of the transition from feudalism to capitalism in Western Europe and the birth of the European world economy at the end of the fifteenth century. Until the 1960's the world economy has witnessed three phases of what Frobel et al. (1980:11) refer to as the "classical" international division of labour. These phases have been characterized by the creation of centres and peripheries "both intra- and internationally...with different forms of control over labour for different types of production in different regions of the capitalist world economy" (Frobel et al. 1980:32). What has typified the classical IDL is that the centre countries have developed through production of manufacturing exports by highwage labour, while the periphery has been relegated to the production of agricultural and resource exports by superexploited

labour.

The three phases of the classical IDL correspond roughly to the three phases of the capitalist world system: 1) merchant capitalism -- 1500-1780; 2) industrial capitalism -- 1780-1880; and 3) monopoly capitalism -- 1880-present. The growth of the transnational corporation and advances in technology under the monopoly phase lay the basis for a new international division of labour (NIDL) which began to gel in the 1960's. According to Frobel et al. (1980:45), this NIDL is the result of the transnationalization of the capitalist production process:

We use the term 'the new international division of labour' to designate that tendency which:

- a) undermines the traditional bisection of the world into a few industrialized countries on one hand, and a great majority of developing countries integrated into the world economy solely as raw material producers on the other; and
- b) compels the increasing subdivision of manufacturing processes into a number of partial operations at different industrial sites throughout the world, where the division of labour should be understood as an ongoing process, and not as a final result.

How did it come about that this NIDL was possible? Frobel et al. three conditions which were necessary for the suggest restructuring of the IDL: a) "the development of a worldwide reservoir of potential labour power" (1980:34). This condition resulted from social and technological transformations in the Third World which are closely related to the second condition: b) "the development and refinement of technology and job organization makes it possible to decompose complex production processes into elementary units such that even unskilled labour can be easily trained in quite a short period of time to carry out the rudimentary operations" (1980:35). This process of deskilling, which Braverman (1974) refers to as "the degradation of work," allows capital to use the cheapest, most docile, labour available -- often female labour. The third condition necessary for a NIDL allows capital to wander the globe in search of that low-wage labour: c) "the development of a technology which renders industrial location and the management of production itself largely independent of geographical distances" (1980:36).

Vuskovic (1980:10) summarizes the impact of these changes:

In at least three areas, technological developments now exist that were not available earlier. First, even in relatively more complex activities there is a growing technical ability to "break-up" the productive process, separating out "segments" which require a higher input of skilled labour from those which, though highly capitalintensive, can be undertaken by unskilled or semiskilled Second, a more efficient transportation system workers. (containerization, air freight, etc.) permits the of geographical dispersion those segments without prohibitive cost increases. And third, advances in communication, information and control techniques allow for centralized direction and administration of industrial complexes despite dispersed plant locations.

These changes have resulted in what Frobel et al. term "world market oriented industrialization" and the world market factory."

Production in world market factories is highly vertically integrated into the transnational operations of the individual companies and involves non-complex production operations; as regards the processing of each product or product group, the production process is largely confined to part operations: the manufacturing of parts, assembling of parts, or final assembly (1980:22).

Transnational capital has begun to spread its operations over the globe not only in search of cheap labour, but also to avoid militant labour struggles, environmental protection laws,

taxes, et cetera. Operations are being set up wherever costs for each aspect of production are lowest. Not only is there a division of labour in production -- that division of labour itself is global. The beauty of this for capital is that it is now often possible to escape labour demands by running away (thus the "runaway shop") or by threatening labour with that possibility (cf. Barnet and Muller, 1974: 303ff, on "the obsolescence of American labour").

Frobel et al. use the case of German transnational textile capital to illustrate these trends. But others have noted the same trends in transnational automobile production. Monopoly capital has been attracted to Third World countries where wages are 10-20% of those in the centre, where the working day (week or year) is longer, and where productivities are now comparable to those in the centre. This means that labourers worldwide can now more easily be discarded and replaced, and that capital can pick and choose its labour force (increasingly young, Third World women).

Consequently, there has been a proliferation of so-called "free production zones" in the Third World. Periphery states have been vying with one another to offer capital premium conditions for accumulation. Frobel et al. (1980;22) tell us that since the mid-1960's literally thousands of world market factories have set up shop in the Third World. And far from improving the lot of Third World workers and peasants as some writers have projected, transnational industrialization has

worsened living and working conditions in the periphery (cf. Amin, 1984).

So far the trade unions have more or less succeeded in preventing the large-scale penetration of these adverse conditions into the 'centre.' However, the competition on the world labour market, and the large amount of structural unemployment in the traditional industrialized capitalist countries which results from it, are increasingly undermining this not inconsiderable achievement...

Workers in the already industrialized countries are now placed on a worldwide labour market and forced to compete for their jobs with their fellow workers in the developing countries. Today, with the development of a worldwide market in production sites, the traditional industrialized and the developing countries have to compete against one another to attract industry to their sites (Frobel et al., 1980:35, 13).

While some (e.g. Petras, 1981) dismiss the notion of a NIDL, the theme has gained popularity in development literature, including Canadian literature, as we shall see. And it forms the basis for Dixon et al.'s (1983) study of the peripheralization of the U.S. centre (cf. Jonas and Dixon, 1980). Dixon et al. note three tendencies which are beginning to affect American society:

1) the relocation of industries to the Third World (runaway shops);

2) increasing employment of migrant labour -- meaning low-wage, unskilled, Third World labour -- and the creation of a transnational labour force; and 3) the re-industrialization of the United States. The first of these tendencies has been outlined above.

Given the United States' common border with Mexico and close proximity to the Caribbean, the use of migrant (often illegal) labour by U.S. capital has been easy to facilitate. Since WWII the use of migrant labour has increased not only in the U.S., but

in other centre nations -- for example, West Germany's importation of "guest workers" from the Middle East and Africa (Frobel et al., 1980). The incidence of immigrant labour in Canada has been a consistent feature -- especially, in recent years, in less capital-intensive manufacturing sectors such as textiles where Third World women are often used. However, the employment of migrant labour is not as extensive as in the U.S.

Capital's need to re-industrialize in the centre is a subject that is receiving increasing attention in the U.S. and Canada. Re-industrialization is seen to be more of a burning issue in the U.S. and Canada than in, for example, Germany and Japan. This is so because the latter countries have experienced a re-industrialization in the post-WWII period which makes their industry more competitive on the world market.

Dixon et al. (1983:184-5) suggest that there are three routes for industrial restructuring:

The first option, at least theoretically, would be to modernize and upgrade the technology of existing plants in major heavy industries such as auto and steel, in part through government subsidies...

The second route is through investment in the "high-tech" world of microchips, computers, and robotics (Silicon Valley), using the research and development programs created and subsidized by defense and space-related government investment. High technology industries are fundamentally capital intensive...

But there is a third option or route. an alternative for those U.S. industries that must remain labour intensive and cannot be automated...This is the route of investment reviving primitive forms of superexploitation: garment industry sweatshops, putting-out systems. and the like.

So-called "urban enterprise zones" -- the counterpart to

Third world free production zones -- are the main setting for the third option. In these zones, and throughout the restructured industries, low-wage and semi- or unskilled labour will become the norm. High technology production portends the necessity of only a few highly-skilled positions.

Von Werholf (1984) makes the point that low-skilled (in capital's terms), low-wage labour is not becoming the norm, but has been the norm throughout the history of the capitalist world system. This fact has simply been obscured by Eurocentrist notions that capitalism is not a world system. Von Werholf (1984:135) notes: "Eighty to ninety percent of the world population consists of women, peasants, craftsmen, petty traders, and wage labourers whom one cannot call 'free' or 'proletarian.'" She goes on to say:

The solution of the puzzle is verv simple: Everything is just the opposite of what it appears to be. Not the 10% free wage labourers but the 90% unfree non-wage labourers are the pillar of accumulation and growth, the truly exploited, the real 'producers.' the 'norm,' and represent the general condition in which human beings find themselves under capitalism. And now this is also threatening the proletariat to their great horror (1984:138).

Von Werholf contends that the "pillar" of accumulation and the "vision of the future" are the Third World and the housewife, and that labour is becoming "femalized." Her "thesis is that the principles of organization of housework will determine our future and not, as assured until now, the principles of organization of proletarian wage labour" (1984:158). This is a provocative, though not surprising, contention. And it dovetails nicely with Dixon et al.'s (1983:189-90) thesis that

we are seeing a process of semi-peripheralization of certain sectors of the U.S. labour force, and the importation of the periphery and the semi-periphery into the heart of the United State -- that is, the increasing imposition of forms of exploitation on sectors of the U.S. working class that have previously been imposed primarily on Third world populations and, within the United States, on the transnational labour force. In short, this suggests that an increasing proportion of the U.S. working class (though certainly not the U.S. working class as a whole) will fall under the technical definition of superexploitation.

But the consolidation of this tendency is not a foregone conclusion. The outcome will depend upon what direction class struggles take us. And these struggles promise to be fierce because industrial restructuring and peripheralization of centre societies must include heavy doses of "austerity." Dixon et al. (1983:183) tell us that

the social, and eventually, the economic cost of austerity policies are high: aggravation of the social crisis and the creation of rising social unrest, and aggravation of the economic crisis by contracting the consumer market.

Von Werholf (1984:132) asks: "if there is a worldwide economic crisis, then it means that everywhere economic changes will take place. But can these be implemented without the application of violence?" She goes on to make a foreboding comparison:

From the countries that were the first and the quickest to set out for this change we hear daily of the brutal consequences: first Chile, then Great Britain, then the United States. Pinochet, Thatcher, and Reagan are applying the new medicine, the drastic treatment of the Chicago Boys of Milton Friedman.

In discussing "austerity capitalism" Dixon et al. (1983:130) state:

Such a scenario portends potentially explosive conditions in U.S. cities. The response of the bourgeoisie must almost certainly involve greatly increased and institutionalized repression. In its most

extreme form, as we have written elsewhere, we are facing the <u>implosion of Empire</u> -- the beginning of an era in which the people of the United States will begin to see the democratic veils stripped away from the face of U.S. power; they will begin to experience what has been the fate of the colony.

Before I turn to a discussion of the implications of the restructuring of the international division of labour for the transformation of Canadian Society -- a note on the possibility that this restructuring is not the panacea which will pull the capitalist world system out of its post-1960's economic depression is in order.

Magdoff and Sweezy, writing in Monthly Review in recent years, foresee the renewal of dynamic accumulation as a shaky Their analysis is based on a theory of stagnation prospect. formalized by Baran and Sweezy (1966). Baran and Sweezy note a tendency toward stagnation in the capitalist long-run accumulation process. They also note, however, that secular tendencies in the world economy have promoted renewed accumulation in the past. The post-1873 depression was overcome by the rapid spread of railway-building activity, and by the burst of colonial expansion referred to as the "new imperialism." The depression of the 1930's was overcome by war production, followed by the "automobilization" of the developed societies, and by the increasing transnationalization of the production process under U.S. hegemony. Although there may be room for a global extension of these processes, Magdoff and Sweezy see no countertendencies on the order of those which pulled capital out of previous crises.

On the other hand Wallerstein, writing in recent issues of Review about cyclical rhythms of the world economy, suggests that if we can depend on past experiences, we may see the renewal of global accumulation as early as the 1990's. Wallerstein bases his projections on the apparent regularity of 45-60 year waves of alternating boom and bust in the capital accumulation process—so-called long, or Kondratieff waves (Kondratieff, 1926). Long-wave logic would suggest a boom based on the further extension of transnational capitalist production arising from innovations in transportation, communication and other technological "grey matter."

Magdoff and Sweezy, for their part, caution against ready reliance on long waves as a basis for economic projection. Amin, going a step further, tells us that the

current crisis has a twofold source: the challenge which the peoples and states of the periphery are posing to the conditions that fostered [the] "prosperity" [of the centre in the past] (energy and raw material crises, international division of labour, etc.) and the resistance by the working classes in the West to a "readjustment" at their expense (1977b:35).

The present crisis is therefore a crisis of imperialism, and not of capitalism in general. It can be superseded only by socialist revolutions, or by a new stage of centralization of capital and of the international division of labour which would tend to bring the Western world very much closer to the Soviet (statist) mode [of production] (1977a:116).

# Canada in the New International Division of Labour

Canada is a country that resists ready classification within conventional taxonomies. Its status as what might be aptly called a 'rich dependency' puts it at the interstices between the advanced industrial countries and the dependent capitalisms of the 'third world'. In terms of per capita income, patterns of consumption, social structure, and levels of education, as well as form of political regime. Canada clearly resembles the former countries. In terms of the extent of foreign ownership and control over the economy and of Canada's international trade pattern (export of resources and import of manufactured goods), Canada looks more like belonging in the company of Venezuela or Nigeria (Panitch, 1985:1).

Radical academics have not settled on a single explanation of the Canadian anomaly. Naylor (1972) refers to "Canadian branch plant quasi-imperialism. Levitt (1970) calls Canada a "rich, industrialized, underdeveloped economy"; Livingstone (1985) identifies it as a "secondary advanced capitalist formation"; and Williams (1976) discusses Canada as "the case of the wealthiest colony." Panitch (1981) refers to Canada as a "rich dependency" and critiques "neo-mercantilist" and "high-wage proletariat" explanations for that status.

In a recent discussion of so-called semi-peripheral zones<sup>6</sup>, Arrighi and Drangel (1986:55,62) classify Canada as a centre country on the basis of "core-like industrial activities" and "the distribution of rewards in the world economy and the approximate position of states in relation to that distribution." But given the degree of Canada's dependence on first Britain and then the U.S., I find it hard to classify Canada as a centre in its own right. Here it seems useful to note Clement's (1977) discussion of "continental corporate power" and Lipietz' (1982:37) reference to the "process whereby systems of production

tend to 'overstep' national boundaries [leading] to the formation of huge blocs (the U.S.A. and Canada, the E.E.C.)" (cf. Teeple,1986). Whether one sees Canada as a centre in its own right, or as a part of a "bloc" of continental corporate power, the important point for the present discussion is that Canada has had a "high-wage" working class. However, over the last couple of decades that status has been threatened.

In the 1960's left and liberal politicians and academics began to decry the "de-industrialization" of Canada. Caloren (1978) and Laxer (1973) have presented data on plant shutdowns and worker layoffs -- enough to show that the phenomenon of the "runaway shop" has hit Canada with a vengeance. Canada is especially vulnerable in this area because so much of Canada's industry is foreign-owned.

Calvert (1984) tells us that, of Canada's ten largest private corporations, six have three quarters or more foreign ownership, and a seventh is half foreign-owned. He also notes that there is a high degree of corporate concentration in manufacturing. It must be noted, of course, that foreign control of Canadian manufacturing decreased from 59% in 1970 to 49% in 1979 (Williams, 1986). But this is more a sign of the deindustrialization process than an upsurge in nationalization.

The point to be made of all this is that Canada's manufacturing sector is particularly vulnerable to rationalization and shut-down trends in the present crisis because it is foreign-controlled. Not only is it foreign-

controlled but, as Williams (1986) and others have noted, Canada has experienced import-substitution industrialization over the last century -- in Canada's case branch plant industrialization. Much "Canadian" manufacturing was set up by foreign capital to serve primarily the domestic market. Moreover, there is only a weak national grid of capital and commodity goods production. Canada is locked into a Canada-U.S. (continental) grid. Control over most investment decisions and research and development are retained in the American head office. So the move toward a NIDL, commencing with high-technology operations for the centre and low-skilled more labour-intensive jobs for the periphery, leaves Canada even more open to peripheralization trends than the U.S. proper.

While the more autocentric economies allow industrial restructuring for competition on the world market, Canada's disarticulated, foreign-controlled economy is shown to have little resilience. Williams (1983:9) cites one Canadian state bureaucrat's note of "considerable evidence that Canada-based subsidiaries of foreign-controlled companies are not aggressively seeking export opportunities abroad. Because of corporate policy, many firms are either unable or unwilling to pursue projects abroad". And, to add insult to injury, Williams (1983:42) notes how some bureaucrats in the Department of Industry, Trade and Commerce have "been concerned that branch plants in Canada have used federal export assistance as a foot in the door for the sale of products from their foreign parents or

from associated subsidiaries in third countries" -- a telling statement on Canada's "independence":

Laxer (1981:89) presents the findings of a Government of Ontario brief on problems in Canadian manufacturing:

The brief concluded that Canada's manufacturing sector was 'not only weak but in a state of fundamental structural disequilibrium'.

This disequilibrium was evidenced in the following symptoms:

- a process of de-industrialization;
- the decline in international competitiveness that has led to a deteriorating merchandise trade performance;
- the erosion of technological strength and capability in the manufacturing sector; and
- the persistence of a substantial productivity gap vis-a-vis the U.S.

For Moore and Wells (1977:45):

De-industrialization is, then, a myth....International capitalism in decline brings stagnation to all advanced countries -- not just Canada. American domination of Canada is only a manifestation of a larger problem-the instability of world capitalism.

I would suggest that so-called de-industrialization is simply an aspect of the restructuring of the International Division of Labour (IDL) and the peripheralization of the centre.

Contributors to a recent volume on Canada and the NIDL have suggested that the process of de-industrialization is directly tied to the restructuring of the IDL (Cameron and Houle, 1985). In this context the Canadian state has felt the pressure to promote national industrial restructuring. Recent Liberal governments adopted nationalist policies which pointed in this

direction. But the present government is placing all of its eggs in the basket of freer trade with the U.S. (Williams, 1986). Some Left critics contend that the latter initiative simply removes the last impediments to the complete incorporation of Canada into the U.S.-dominated continental bloc, and portends a gloomy future for Canadian manufacturing and any remaining vestiges of Canadian independence (Teeple, 1986). In terms of the thesis being developed in this essay, Canada-U.S. "free trade" deal is a subterfuge behind which the peripheralization of the center will be accelerated -- for the future of labour, both in Canada and the U.S., promises to be even more gloomy than the future of some capitals (Gudmundson, 1986).

Houle (1983) contends that industrial restructuring-increasing organic composition of capital, deskilling and low wages -- is the logic of transnational capital and the basis for the NIDL. Moreover, this logic is being applied to the Canadian economy's mainstay -- the resource sector. To remain competitive in the NIDL, monopoly capital and the state have begun dispensing with the so-called Fordist wage labour relationship -- i.e. maintenance of high wages to ensure a consumer market. Houle (1983:135-6) accounts for this change as follows:

If the future of accumulation is based on energy resources, and the manufacturing sector upstream from them, a situation is created similar to that of the regime of extensive accumulation, where the prime mover of accumulation was first of all the sector of the means of production. The dominant form of production of surplus-value will remain, however, relative surplus-value. The development of this type of accumulation in Canada would facilitate the integration of the Canadian economy into a restructured world-capitalist economy, would respect what seem to be the

tendencies of the new international division of labour, and would not require the maintenance of the present growth model, nor, therefore, the maintenance of the Fordist wagelabour relationship. In fact, the elimination of the latter, or at least its contraction, is a prerequisite for the submission of the Canadian economy to the demands of the To maintain the Fordist wage-labour world market. relationship the state would have to take over a sizeable share of surplus-value, and this seizure would endanger the place on the world market of Canadian energy resources and of some branches of the sector of the means of production upstream from these. The question of the non-maintenance of the Fordist-wage-labour relationship appears therefore to be inseparable from the crisis and from the restructuring of the regime of accumulation in relation to the international division of labour.

According to Houle this is the path down which the Liberal government of Prime Minister Trudeau began to tread in the 1970's. And the Conservative government of Prime Minister Mulroney has not strayed from this path. Both governments have begun and continue cuts in social services and an assault on labour apparently recognizing that, as Houle (1983:133) puts it, "to be worthwhile for capital, an end to the crisis must involve a major defeat of the popular classes by provoking a sizeable and lasting increase in the rate of exploitation."

Labour's acquiescence in the destruction of the welfare state has, until recently, been sought through tripartism and further integration of the workers' movement into liberal ideology. "When these measures are not sufficient to make wage-earners accept a restructuring of the wage-labour relationship, the state resorts to the apparatus of repression (the judiciary and the police) to inflict defeats on the workers or to invalidate some of their gains" (Houle, 1983:135). Such moves are not new to Canadian history. But their incidence has increased

since the crisis of the 1970's. Calvert (1984) notes, for example, that there have been seventeen separate pieces of federal legislation directed against public sector unions alone since 1980. Panitch and Swartz (1985) see this as part of a general shift from "consent" to "coercion" in state/capital-labour relations.

Both capital and the state are pushing "austerity capitalism". Laxer (1981:40) cites the prestigious Business Council on National Issues' representative W.O. Twaits' suggestions for renewed accumulation:

- a freeze on social programs;
- revisions to the Unemployment Insurance Commission (UIC) plan to make unemployment "less attractive";
- restraint on new net government borrowing to release dollars to the private sector:
- -elimination of double taxation in the resource industries and decisions on critical energy projects, without which the economy has little prospect.

These proposals were presented to a 1977 Conservative Party conference when the Liberal Party was still in power. Twaits, a former chief executive officer of Imperial Oil, must be gratified that the new Conservative government was not long in moving on his last proposal.

But Conservative and Liberal governments alike are increasingly succumbing to the ideology of the new conservatism and attempt to legitimize the need for austerity and high

unemployment rates. According to Gingrich (1978:97): "The state in most capitalist countries is in the process of instituting austerity programs against the working class". Reducing expectations "is the means by which the politics of austerity is translated into practice at the individual or group level" (1978:98).

The aim of propaganda is to persuade each family or individual to expect less, and as workers, demand less in wages. This is consciously stated by those like [Liberal] Finance Minister Chretien who trumpet the need for reduced inflationary expectations on everyone's part. wage demands will be voluntarily hope that moderated, thus making it easier to reduce labour costs. Wage controls, unemployment or increased taxation are used to actually reduce wages. The main purpose of impressing on workers the need for reduced expectations is a psychological one, that is, to change the perception of problems in such a way that austerity can be imposed with minimal amounts of dissent (1978:98-9).

So while the state leads an attack on first inflation, then the state deficit as public enemy number one, politicians and bourgeois academics try to convince us that present high rates of unemployment are "normal". In the post-WWII boom years, the accepted wisdom was that unemployment rates of 3-4% were normal. Now that official rates of unemployment are in the 10-12% range, New Right economists and their political counterparts are telling the public that 10% unemployment is normal. But even keeping unemployment figures that low requires that whole sectors of the unemployed be "fudged" off the list -- those employed part-time who wish full-time employment, those who have become discouraged and stopped looking for work, and those who, for one reason or another, have never made it onto the official rollcall

(Gingrich, 1978). Officially Canada's unemployed number about one and one-half million. Unofficially, more like two million are unemployed (Calvert, 1984).

High levels of unemployment and underemployment are coming to be structured into the socioeconomic system. In this sense, we see the rise of the so-called underclass that prevails on the periphery. Periods of unemployment grow longer, work alternatives are of increasingly lower status, and the myth of the male as family "breadwinner", already challenged in feminist literature, is even less certain. The family unit may survive, but more along Third World lines where not just husband and wife, but all able family members must work to provide for subsistence. This will entail an increase in output by the "household economy"—part of the growing "informal economy." Here goods and services are produced not only for the family, but for sale in the "underground" or "black economy."

These variations of informal economy may not be new to residents of less-developed parts of Canada (e.g. the Maritime provinces) but they are a new and psychologically debilitating experience for residents of many areas. This is part of the experience that von Werlhof (1984) refers to when she says that housework and the Third World are the vision of the future. This is the flipaide to the neo-conservative world of market freedom. But apparently, only the formally sanctioned market will be "free." Canada's present Conservative government, shortly after taking office, announced that it was "cracking"

down" on earners of unreported income. An amnesty was announced in 1984 so that those who had received income from the informal economy could declare that income without recrimination. Thereafter, the government's Revenue and Taxation Department would "get tough." In a sea of free enterprise rhetoric, this was an obvious sign that the market is free for capital, but not for labour, and also a sign that the informal economy is expanding.

#### The Neo-Conservative Onslaught

Neo-conservative rhetoric of free enterprise, free markets, and free trade has spread across Canada. This is the rhetoric, though not the full reality, of the new federal Conservative In announcing a new energy deal with Alberta in the House of Commons on March 28, 1985, the federal Energy Minister stated that "under deregulation the market will decide what crude oil prices should be." The code word here is "deregulation" -ostensibly the ideology of the new Conservative government. The new defrocked Minister of Industry, Trade and Commerce Sinclair Stevens promised to get government out of the marketplace. He moved to do this by transforming the Foreign Investment Agency (FIRA - a Liberal government response to nationalist pressures of the 1960's and early 1970's) into Investment Canada -- with a mandate not to monitor but to entice foreign investors. (Foreign investment has more than doubled since the Conservatives came to office.) And we now have a Minister of Privatization, whose sole purpose is to promote economic renewal by turning Crown corporations back to the "magic of the market."

Havemann (1986:14-5) asserts:

Arrogant, aggressive capital enmeshed in the high-tech industrial-military complex, supported by elements in the bureaucracy, the media, federal and provincial governments, and sections of the churches and universities, seeks to dismantle even this [weak] version of the welfare state. Their goal is to erode the hegemony of Canada's seemingly liberal democratic ideology to build a state requiring 'exceptional' coercive powers over the working class. Only Bennett's Social Credit government in British Columbia has come out with this as an overt policy, but a polarization of class interest will occur elsewhere as more Canadians forms of state-sponsored immiseration experience the perpetrated by Reagan, Thatcher, and Bennett in their support of the 'revolt of the rich.

Havemann (1986:25) adds that "British Columbia now has all the characteristics of an 'exceptional state' which blends neo-conservative economic policy, New Right social policy, and neo-fascist repression." And the recently elected Social Credit government of Bill Vander Zalm does not appear likely to break out of this mold -- campaign promises to the contrary notwithstanding.

Marchak (1984:31-2) commenting on the neo-conservative programs of Premier Bennett's government in B.C. states: "The ideology of this government is promoted in words such as restraint, incentives, productivity, efficiency, downsizing, privatization, free enterprise, high technology, the new economic reality and our international competitive position." Marchak notes that two words are missing from the B.C. government's vocabulary -- "unemployment" and "democracy." She says that the "omission of unemployment is a means of neglecting the

consequences of 'downsizing', 'restraint' and 'privatization'" (1984:36). To "delete the ideology of democracy is to provide the ground for deleting the forms as well...along with the welfare state" (1984:37).

In recent years, thousands of public sector workers in B.C. have been fired. Welfare services have been axed and hospitals and educational institutions across the province have been closed down or have lost state funding (Magnusson et al.,1984). In addition to cutting social services spending, the B.C. government has closed its Human Rights and Rentalsman's Offices. "At the same time, greater expenditures have been directed toward private capital in the form of grants for technological changes, tax incentives, subsidies, infrastructure, marketing arrangements, etc." (Marchak:1985:4).

Marchak (1985) contends that B.C.'s woes result largely from dependence, and that resource-rich B.C. is now becoming a periphery of Japan as well as the U.S. She says "that B.C. has been developed as a resource periphery, and is fast becoming an underdeveloped country at the mercy of international corporations seeking low-wage labour" (ibid.:5).

Vancouver is beginning to earn itself the title of "Hong Kong West." The B.C. government has teamed up with B.C.'s rightwing "think" tank, the Fraser Institute, to advance this "new reality." The Institute, in its publications (e.g. Grubel, 1983), has been advocating the construction of "free market zones" (Frobel et. al.'s "free production zones" by another name), not

only in B.C. but across Canada. According to a recent report in the Globe and Mail (November 29, 1984), the B.C. government has been negotiating with Ottawa on plans to promote such zones (called "special enterprise zones" by the B.C. government itself). For its part, the federal government has recently proposed making Montreal and Vancouver international banking centres. But anyone familiar with examples such as Panama knows this promises nothing but increasing hardship for the Canadian masses.

The free zones are proposed as a politically expedient alternative to a completely free market (i.e. peripheralization snuck in through the back door). But it is envisioned that the "demonstration effect" produced by free-zone successes would prompt the spread of the free market approach through the economy -- a dubious proposition if judged by Third World indicators.8 One commentator (Oliver, 1985) contends that de facto free zones have already been initiated in B.C. -- the Expo (World Trade Fair) production site being one example. That site, and Vancouver in general, was the scene of a militant labour struggle in 1984, in which the state legislated workers back to work and paved the way for no-union (and therefore low-wage) work sites. In the process, the Bennett government adopted Margaret Thatcher's tactic of dividing the populace into two -- in this case "good" British Columbians who favour the "new economic reality" of restraint and restructuring, and "bad" British Columbians who do not.

The question, 'Who can work on the Expo site?' is easily answered in the Bennett Code: "good" British Columbians, of course. Expo is the most ambitious of the New Reality projects, not only because it exhibits the capacity of the "good people" to plan, organize, and build a world-class trade fair, but also because it is the testing ground for Bennett's New Reality union-busting strategy.

By law, the Expo site is open, an economic zone where anyone has the right to work except "bad" British Columbians like union members. But even they can be redeemed. They can become "good" by going to work for a "new" and "real" construction company which is certain to bid \$20,000 under union contractors on every tender (Oliver, 1985:7).

Despite the recent re-election of the Social Credit Party, labour and popular opposition to the peripheralization process in B.C. (and now Saskatchewan) suggests that there is a limit to which Canada's heretofore high-wage population can be pushed. Programs of economic restructuring and social service cuts in B.C. called forth a massive opposition in the form of B.C.'s "Operation Solidarity" -- a coalition of labour (public and private sector -- blue and white-collar), community organizations, feminist groups, etc.

The fight-back developed an enormous base of popular support. In the lower mainland alone, three massive demonstrations occurred after July 7 [1983]: 25,000 marched the week following the budget introductions, 50,000 rallied at Empire Stadium in August (many walking off the job to attend). Finally, exceeding all expectations, 60,000 marched around the Socred Convention on October 14, some carrying General Strike placards and many chanting "Socreds Out." Many people have become active for the first time and have developed a concern for a wide number of issues (Larkin,1984:4).

B.C.'s Solidarity Coalition demonstrates that there is a popular base for opposition to the peripheralization trend (cf. Havemann, 1986). The long-range potential, however, of Solidarity-type coalitions clearly hinges on the problem of

leadership. Many in B.C. were unhappy when reformist labour leaders "caved-in" to Premier Bennett and cancelled a province-wide general strike planned for November 14, 1983 (Larkin, 1984). While the Canadian Labour Congress (CLC) has officially called for a "total mobilization" against neo-conservative attacks on labour, the capacity of the presently reformist CLC leadership and structure to affect such a mobilization must be questioned. In their March 1984 editorial, the editors of Canadian Dimension commented:

This is the third consecutive issue in which <u>Dimension</u> has covered the activities of B.C.'s Operation Solidarity and Solidarity Coalition. Our coverage will continue, not only because of the importance of Solidarity's struggle in B.C., but because we expect it to recur elsewhere in Canada...

The aggression with which capital and the state have responded to the crisis in capitalism necessitate a new form of trade union politics -- a politics of confrontation in which the organization and mobilization of membership and creation of coalitions take on added importance. Some leaders of trade unions and popular organizations have not yet made this adjustment.

# Conclusion -- W(h) ither Canada?

In this essay I have attempted to set present trends in Canadian society into the context of a changing world economy—with an emergent new international division of labour and a peripheralization of centre societies. In this light, we see that phenomena such as de-industrialization and state attacks on welfare are not peculiar to Canada. They are part of a restructuring of the world economy and a redefinition of the social status of workers of centre and periphery. Amin

(1981:xvi) contends: "There is still a qualitative difference between centres and peripheries." But this is not to deny that there is a move afoot to restructure social relations as part of the transnationalization of the production process itself. Most important, for the majority of centre workers, is the restructuring of the Fordist wage-labour relationship to turn relatively privileged sectors into a low-skilled, low-waged labour force attractive to transnational capital. This is the logic of transnational capital. But as Marchak (1984) points out in her discussion of B.C., there is absolutely no guarantee that peripheralization of the centre will bring "high-tech" investment.

Yet Eric Trigg, chairman of Alcan Aluminum, and Thomas Bata, president of Bata shoes, speaking on CBC Radio's "Ideas" (April 3, 1985), tell us that Canadian industry must be restructured for world market production or it will wither away. This may be true for transnational corporations like Alcan and Bata, but small and medium capitals in Canada are suffering because their mainstay—the domestic market — is being eroded by unemployment and low wage settlements. Calvert (1984:8) notes that from 1978 to 1982, real wages dropped by 7%. From 1977 to 1983, business and consumer bankruptcies rose by 122% (ibid.:7). Most bankruptcies are in small business. Small and medium capitals thus wither up and are absorbed by large capital as centralization and concentration accelerates. Monopoly banks and oil companies make exorbitant profits.

All of this should serve to emphasize a point which has been made at least since Marx and Engels' time -- that capitalism is fraught with contradictions. The logic of transnational capital may be toward a peripheralization of the centre. But reducing labour costs to improve competitive ability on the (hardly competitive) world market is certainly not logical when we consider that the basis for that market is the same high-wage labour which is under attack. This contradiction immediately strikes small and medium national capitals.

The state, for its part, is caught in a bind of trying to organize the demands of labour and the various capitals in such a way as to ensure hegemonic class domination. Canadian rulers must be sensing the possibility of social upheaval. In recent years, our popular media began to pick up signs that the Canadian state is preparing for increased internal "instability". At the turn of the decade, the Canadian military began to acquire vehicles with the sole purpose of "crowd control". In 1982, the Canadian government announced that it was readying plans for "internment (concentration) camps". This news came to light because then Solicitor General Robert Kaplan did not feel it politically expedient to acquiesce in such a plan. Prime Minster Trudeau had no qualms about the plan, but then he had no qualms about a hasty institution of the War Measures Act to "solve" the Quebec crisis of 1970.

Frank (1980) has noted that the Chinese word for "crisis" can also be translated as "opportunity." Certainly the present

conjuncture presents Canadian labour with the opportunity of coalescing with other popular sectors and small business in opposition to the peripheralization of the centre. Panitch, noting recent events such as the Canadianization of the United Auto Workers, suggests that Canadian labour as a whole is confronted with the opportunity of overcoming its regionally—and sectorally—divided past. "The prospects for socialist advance in Canada are by no means rosy, but one of the preconditions for it—the forging of greater national identity and unity of the working class—stands a better chance today than at any time in the past" (Panitch, 1985:12).

Dixon et al. (1983:190-1) go so far as to assert that:

the future presents great dangers - and great opportunities - for the U.S. working class....[F]or the first time since the 1930's, the possibility of a revolutionary situation is emerging at the center of traditional core power, in the heart of the United States.

In light of the peripheralization of the centre, this conclusion has some logic -- if we accept that the centre of world revolution is in the periphery (cf. Amin, 1977A; CWG, 1986). There is reason to argue that the extreme social dislocation and superexploitation that accompanies the peripheralization process will provide the "objective" conditions for revolution. 10 However, workers in the U.S. and Canada have been steeped in liberal-individualism in the post WWII period (O'Connor, 1984). Some argue that centre working classes in general have been bought into imperialist superexploitation of workers in the periphery through reformism and social democracy (CWG, 1986).

At any rate, given Amin's above noted contention that the present crisis is a crisis of imperialism, workers' struggles in the centre would have to be anti-imperialist struggles to be part of a socialist solution to that crisis. And a look at Third World revolutions themselves should tell us that socialist struggles in the centre must be broad-based popular struggles and not the sort of pure working-class struggles that Marxists have long expected. Progressive church, community and women's struggles are essential ingredients (cf. Havemann, 1986).

We must conclude with the hope that the trend toward a peripheralization of the centre is simply part of a long-range world-socialist transformation, not a slide into barbarism.

#### NOTES

- Debates on the "new international division of labour" and on the "peripheralization of the centre" can be found in the journals, <u>Contemporary Marxism</u> and <u>Review</u>, and in the <u>Political</u> <u>Economy of the World-System Annuals</u>.
- 2. I must note that I think "semi-periphery" is more a static category than a relational concept. Amin (1983:56) contends: "The category 'semi-periphery'...seems to me misleading for the following reasons: 1) the major distinction between the centre and the periphery...concerns wage trends; 2) on the whole wages in the centre tend to rise with productivity, while in the periphery wages stagnate or lag behind productivity increases; 3) to the extent that wages in the 'semi-periphery' behave in a fashion similar to that of the periphery, despite other differences that may exist there is no such thing as a semi-periphery."
- 3. The capitalist world economy is often referred to as the European world economy because of its birth in Northwestern Europe -- despite the fact that non-European states such as Japan and the U.S. now hold core status in the world economy (cf. Wallerstein, 1979).

- 4. "Superexploitation is the appropriation by capital of so many of the fruits of the workers' labour that the workers cannot maintain themselves or reproduce their labour power. In each major crisis of accumulation, capital has resorted to increased exploitation and superexploitation somewhere in the world" (Frank, 1981:157).
- 5. "Free production zones are industrial areas which are separated off from the rest of the country, located at places where labour is cheap and designated as sites for world market oriented industry; world market factories are factories which are built on these sites, but can also be situated elsewhere, and intended for the industrial utilization of the available labour and the processing of goods destined essentially for the markets of the industrialized countries. In 1975, seventy-nine free production zones were in operation in twenty-five underdeveloped countries; eleven of these countries were in Asia, five in Africa and nine in Latin America" (Frobel et al., 1980:22). Since that time, the free-zone "craze" has spread, with even "socialist" China getting into the act by designating fourteen free zones in coastal areas (Marshall, 1984). Though free zone exports have hardly taken over the world market as yet, the growth trend for free-zone areas is clear (cf. Halliday, 1980).
- 6. See note two above.
- 7. Women are being particularly hard hit by the neo-conservative onslaught. Havemann (1986:20) speaks of British Columbia "legislation to encourage women to return to the private realm of the family in order to fulfill their 'rightful' place", noting: "The burden of care has been shifted to families and in particular to women." But all too often women's "rightful place" also includes new forms of degraded and often dangerous contract work which is done in the home.
- 8. As to the "demonstration effect" of the Third World free zone "export-led" growth model, Frank (1981:103-107) has the following to say:
  - 1. Not external balance, but foreign debts are promoted because foreign exchange earnings are limited while import expenditures and indebtedness to finance them seems to grow without limit...
  - 2. The promise that manufacturing for export will result in technical training of the labour force and technological development of the economy is belied by the logic of and extensive experience with such manufacturing throughout the Third World...
  - 3. The promise of increased employment and the elimination or amelioration of unemployment through export of even all industry is an illusion at best, and more likely a

delusion...

4. The summary claim that "export substitution" and "export promotion" of manufacture lead to "export-led growth and economic development" is belied by many of our findings with regard to the more specific claims about export earnings, technical and technological development, and employment. But manufacturing export promotion has many other drawbacks...

The other drawbacks which Frank goes on to discuss are the human costs incurred through the superexploitation of labour and violent repression of human rights upon which the transnational production process has come to depend. (Ostensibly, the Charter of Rights and Freedoms in the new Canadian Constitution would preclude such human rights abuses in Canada. But civil rights activists claim that the Charter "has no teeth.") When all is said and done, it is not even certain that the transnationalization of production will pull capital out of its global crisis.

- 9. The Economic Council of Canada (1984:104) argues that "the manufacturing sector has not withered and is not withering in the face of increased competition...[T]he upshot of this is that Canada is a far cry from de-industrialization. In our considered judgement, there is no evidence of this process even beginning." But Holmes and Leys (1987:21) note "that this conclusion, while denying that Canada is experiencing de-industrialization does not preclude (and in fact strongly implies) that Canadian manufacturing nevertheless has been, and is, experiencing a period of significant industrial reorganization and restructuring."
- 10. Should this notion require pedigree, see Marx and Engels' comments on the "Silesian weavers revolt" of 1844 (cf. Draper,  $1977:\ 174ff$ ).

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