

# 11: Canadian Unemployment and Socialist Employment Policy

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The continuing economic crisis of the advanced capitalist economies often raises a nostalgia for the “golden age” of postwar high employment. Yet this looking back entails glossing over some of the imbalances, and even the contradictions, inherent in the old system of production and employment policy regulation. Keynesianism, for example, did not provide relief from poverty or resolve the dilemma of *what* to produce given full employment. The “social corporatism” of the Nordic countries did slightly better in providing high employment, more egalitarian incomes, and better public services. Yet their reliance on “shared austerity” among the working class — what Leo Panitch has called “socialism in one class” — to maintain high employment also reached a limit: instability, fiscal crisis, and unemployment have been an equal part of the economic landscape in Sweden and Norway since the 1980s.<sup>1</sup>

The task of the left today is often seen as the re-establishing of the basis for rapid accumulation by a progressive form of competitiveness to neoliberalism or a reflation of the economy to let more rapid growth eat away at unemployment. Neither of these approaches will solve the problem of providing adequate work and income for all. The reliance on scale-production economies and faster growth, notably in the famous 1960s “growth push,” kindled an overaccumulation crisis and an internationalization of production that undermined the conditions for high employment and rapid growth. The economic stagnation and world trade asymmetries that have been central to the world economy since 1974 have meant, as the Organization for Economic Co-operation and Development (OECD) conceded in 1994, that we now “witness record levels of unemployment,” which impose “unacceptably high costs in terms of the waste of economic and human resources and social distress.”<sup>2</sup> To begin a process of constraining (and ultimately breaking) the link between employment and

the capitalist market, any realistic socialist employment policy must set much more demanding redistributive and transitional objectives.

### *Canada's Long-term Crisis of Unemployment*

Several long-term trends suggest that the unemployment crisis of the advanced capitalist countries is of a more structural nature than either Keynesian or neoliberal employment policies allow. This is especially so for Canada, which combines one of the poorest unemployment records with extremely weak employment policy institutions. The trends, briefly stated, are: a global propensity to rising unemployment since 1974; an unemployment trend since the 1940s specific to this country; and the widely observed political failure to institutionalize an employment policy competency in Canada that could either "aid competitive capacity by training" or "spread work."

After the Second World War, all major industrial countries entered the golden age of economic boom and employment expansion, 1950–74.<sup>3</sup> From 1966 to 1973 these countries reached a state of virtual full-employment, with unemployment falling below 3 per cent in many of them, and with Germany and Japan even suffering serious labour shortages. This remarkable growth and stability, which occurred largely within national economies and after the collapse of trade in the 1930s, were reinforced by the Bretton Woods fixed exchange-rate system and limitations on capital movements.

The processes of stagnation and globalization after 1974 ended the period of high employment and, through varying national routes, led to a spiral in the numbers of unemployed in all advanced capitalist countries. From the first oil shock of 1973 to the second in 1979 mass unemployment spread across the OECD area, accompanied by accelerating inflation; the combination became known as stagflation. Unemployment quickly doubled, as output growth that had fallen by half could no longer contain labour-force pressures for employment. The end of the era of Keynesian full employment was not hard to discern.

The "Volcker clampdown" of 1981–82 squeezed inflation out of the system, but the "Reagan recovery" did not reverse slow output growth. The advanced capitalist bloc continued to be characterized by low growth and low but continual productivity gain and hence mounting unemployment from both labour-shedding and labour force growth. Even the "great North American jobs machine" did not see unemployment drop back to pre-crisis levels. U.S. unemployment rates were 50 per cent higher through the 1980s than they had been

in the 1960s, continuing the increase in the average unemployment rate in the United States in every decade since the 1940s.

The stagnation of output after the recession of 1991–92 added further to employment problems. The “sick recovery” through to 1995 saw little job growth, with rates of new job creation in North America running well below previous recoveries and occurring mainly in part-time work. OECD unemployment rates are now typically double, and often three and four times, what they were during the so-called golden age. In Germany, often cited as the foremost case of successful progressive competitiveness overcoming the external constraint of globalization, unemployment has increased eightfold since the 1960s and is still climbing. In Sweden, the much-cited example of the mastering of the internal constraints of wage formation and tax loads, average output growth has been negative in the 1990s, and open unemployment has quadrupled and is still rising. In most countries the employment-population ratio has been stagnant or declining. Fewer people are working at full-time jobs — and often at longer hours — while more people are not getting enough (or any) hours of work.

Despite neoliberal claims, the United States has not witnessed a “jobs miracle.” Unemployment has remained at postwar highs throughout the business cycle — even though the unemployment rate has become a seriously misleading register of the level of labour reserves in the United States because of stagnant participation rates, the large numbers of transients missed in labour force counts, and the great numbers of workers engaged in involuntary part-time work. Indeed, U.S. workers have experienced the *worst* of all possible labour-market conditions: rising unemployment (every decade since the 1940s), falling wages (workers’ take-home pay in 1992 is about 18 per cent below its 1975 peak), and soaring annual hours worked per capita (remarkably increasing by almost one hundred hours since the 1960s).<sup>4</sup>

Stagnant capitalist-sector output growth, government austerity, and disorder in the world economy suggest that these trends will endure. The mounting concern of a wider deflation, a possibility now openly discussed in the most respectable economic forums in Europe and the United States, cannot be set aside.

Canada, in particular among the advanced capitalist countries, has been ill-positioned to avoid the pressures to higher unemployment from the internationalization of the crisis.<sup>5</sup> In comparison to the other major OECD countries, Canada experienced the postwar period as a

high unemployment country. The long-term empirical trend clearly indicates a secular deterioration of the Canadian labour market: unemployment averaging 3–4 per cent in the 1940s and 1950s; drifting up into the 6–7 per cent range through the 1960s and 1970s; climbing further in the 1980s to the 8–9 per cent range; and staying just below 10 per cent during a recovery phase in the 1990s. The spatial distribution of unemployment, moreover, has become generalized: in the peripheral regions of the Atlantic and North, unemployment ranges at 15–25 per cent, but even in the “centres” of the Canadian economy, from Montreal into Southern Ontario, open unemployment of over 10 per cent is often found even at cyclical peaks. There has been a virtual halt in employment growth in 1995 and a weakness of labour force participation rates, reversing Canada’s lead performance in the “great North American jobs machine.”

This dismal unemployment performance needs to be set alongside another trend, of equal duration: the country’s long relative economic decline. Output and productivity growth in Canada consistently lagged behind that of Japan and Europe over the boom (doing well only in relation to the United States). Productivity growth through the 1980s remained even lower than the boom, so that even more than in the postwar period output growth has advanced in the “extensive” form of increased inputs of labour and capital. The process of “catching-up” and “taking over” by Europe and Japan has continued to cause Canada to slide down the international production hierarchy in terms of trade share, manufacturing productivity, and per capita incomes.

This relative decline is what led even a conservative commentator as Michael Porter to conclude that Canada’s “risk is of a slowly eroding standard of living over the coming years.”<sup>6</sup> Since the signing of the Free Trade Agreement in January 1989, domestic output growth has been essentially stagnant, even turning negative during the 1991–92 recession and only being intermittently pulled along by U.S. import demands. The employment shake-out induced by free trade has been, to say the least, severe: estimates of manufacturing job losses range from 350,000 to 500,000, with most firms reporting permanent displacement rather than temporary layoffs. Virtually all manufacturing sectors have seen employment declines, with some sectors (clothing, textiles, furniture, food-processing) being all but completely trimmed.

Prospects of a turnaround remain dim, even with the Canadian dollar dropping steadily against the U.S. dollar (and even more against other currencies) over the last few years. Pressures for further devaluation — and certainly for further wage and fiscal cuts — are

growing and seem unavoidable. Canada now has, alongside that other great deindustrializing nation, Britain, the *weakest* manufacturing economy in the OECD area. (The major exception is, of course, the auto sector, where there is a degree of “planned trade,” although job loss exists there as well.) This combination of slow growth, high unemployment, and devaluation has meant that real wage movements for Canadian workers, while not deteriorating to the extent of those in the United States, have been heading downward, with virtually all productivity growth and increases in output going to capital (the material basis for the weak consumer demand of the 1990s). When labour-market performance is evaluated over the postwar period by unemployment, work hours, and wage equality, Canada is dismally ranked near the *bottom* of the OECD.<sup>7</sup> The claims of Canada’s egalitarian polity are brittle indeed.

The long-run secular decline of the Canadian economy reproduced an unemployment “limp” in that each successive business cycle, beginning in the 1940s and through the boom years of high growth and Keynesian policies, left a higher level of unemployment. This trend in the reserve army inevitably had to start registering in wage formation, work intensity, and hours. The post-1974 end of Canada’s “*limping golden age*” shoved Canada into a “*leaden age*” of mass unemployment, declining public services, and falling wages and living standards.

### *Economic Constraints and Employment Policy*

In the advanced capitalist countries neoliberal employment policies now dominate the politics of employment policy.<sup>8</sup> In this view, a “real wage gap” keeps wages above the market-clearing levels at which firms would hire unemployed workers at their lower marginal product. Thus minimum wages, unions and the like act as *hiring constraints* that keep unemployment at a high (but presumed voluntary) rate, and competitive capacity and output below what it might otherwise be. Employment policy, therefore, is aimed at removing labour-market rigidities that keep wages inflexible and at extending the market by removing barriers to trade. Apart from its lack of empirical validity after two decades of both rising unemployment and neoliberalism, the theoretical difficulty of this strategy of “market flexibility” is that excess labour supply cannot create labour demand and capitalist production. This is the fallacious reasoning of Say’s law — every offer to sell is transposed into an offer to purchase — that lower wages either stimulate investment and output or capitalists substitute labour for

capital. Cutting wages can, moreover, only increase labour demand if exports are unit-labour-cost sensitive *and* other countries do not follow suit. If they do, and theory and history suggest they will, effective demand is depressed and everybody ends up with less output and higher unemployment. In conditions of competing economic regions and global free trade, the compositional fallacy underlying neoliberal employment policy can, as Keynes demonstrated, easily spiral into competitive austerity.

Social-democratic employment policy has been located within the Keynesian critique of cost-cutting since the war.<sup>9</sup> In this view, the key task of employment policy is “market control” to maintain balance between the conditions of production, realization, and employment growth. If there are unemployed resources, governments can either increase their spending (through borrowing, until this becomes a *fiscal constraint*) or ease monetary conditions to expand output and employment. This is a *constraint-free* environment for expansionary policies, because everyone gains through increased output and employment. As the most popular Keynesian principles text described the process: “By proper policy we have restored a full employment equilibrium. People now enjoy more output without being forced into breadlines ... [or] to work short hours ... because the limited work has to be shared.”<sup>10</sup>

Michael Kalecki and Joan Robinson argued, however, that a *political constraint* is likely to emerge at high employment.<sup>11</sup> Even if capitalists gain profit and workers gain jobs and income from expansion, full employment provides the conditions for increased distributional struggle over wages, profits, and work control. The favoured left-Keynesian position is to have income-tax financed government expenditure pushed as far as possible so as to maintain full employment with greater equality. This raises further political constraints, as both Kalecki and Robinson recognized, in that workers in industry have to support collective consumption, and capitalists’ profit share and control over capital allocation have to diminish without sacrificing their inducement to invest.

In conditions of declining output growth and more open economies, distributional conflict would be difficult to contain, thereby destabilizing domestic investment, spurring capital flows, undermining tax levels, and producing an inflation barrier. The political necessity of compelling a national bargain between capital and labour to support full employment is precisely why Keynes, and especially his more socialist followers, insisted on the necessity of domestic and international controls over capital.<sup>12</sup>

In the mid-1970s Keynesian employment policies reached an impasse on just such distributional conflicts: output stalled and profits declined; internationalization of production increased the dependence of realization on unstable trade and financial conditions; and labour force participation and work hours, despite productivity advance and labour-saving technological change, continued at the old (and in some cases increased) levels.<sup>13</sup> The impasse has split social-democratic employment policy into two camps contending that either *external* or *internal constraints* block the restoration of high growth and employment.

The external constraints position argues, accepting globalization as irreversible and acceptable, that the national economy is no longer the relevant framework for employment policy because of the volume of trade and capital flows and the discipline of foreign exchange markets. As Scharpf puts it: "Unlike the situation of the first three post-war decades, there is now no economically plausible Keynesian strategy that would permit the full realization of social democratic goals within a national context without violating the functional imperatives of a capitalist economy."<sup>14</sup> Keynesian macroeconomic principles still hold, it is contended, and quite expectedly neoliberal restraint has slowed output and raised unemployment. But now that capital has "escaped" national economic policy instruments, Keynesian employment policies need to switch to the supranational level, where leakages to imports and capital outflows will be irrelevant, to re-establish expansionary policies and market control.<sup>15</sup>

There is a supply-side complement to the external constraints position. As a response to the competitive conditions induced by a global economy and slower output growth, and to counter the neoliberal wage-cutting flexibility, it is contended that high-skilled workers in strong trade unions encourage productivity and thus competitive export-led growth.<sup>16</sup> Social-democratic employment policy, therefore, must involve itself with the growth of productive capacities (or effective supply). In an economic era of globalization, decentralization, and specialization, this depends upon what Wolfgang Streeck has called "productive solidarities." These are productivity-enhancing collective goods such as training, research, and development, and workplace trust that encourage flexible adjustment and good jobs. National economies are now mainly distinguished, it is argued, by labour force skills that form competitive capacity and prevent economic decline characterized by rising unemployment. A strategy of effective supply can contribute, Rogers and Streeck insist, to the "restoration of com--

petitiveness in western capitalism" and "can establish a new bargain between equity and efficiency."<sup>17</sup>

There are two flaws to the external constraints position: one related to economic growth absolving the internal regulation of employment, and the other to the stability of external regulation in a global economy. In this view, unemployment is an effect of the level of accumulation generated by demand conditions and competitive capacity; employment is a constant coefficient of average labour required per unit of output. Productivity change to increase competitive capacity, however, is likely to lower this coefficient.<sup>18</sup> So labour-saving per unit of output (which new technologies are arguably raising above trend) would have to be met by an increase in total income and total employment hours demanded. In other words, export-demand growth (essentially of produced goods) must exceed the growth of output, which must exceed the combined growth rates of productivity and the labour force (and at rates that would also absorb unused labour stocks). As the employment coefficient declines (especially in the traded-goods sector, as more states gain technological capacity), the differences between these growth rates must all increase to generate a given volume of employment and hours of work. In other words, the average labour required per unit of output can be expected to fall, with it being unlikely that exports and output will rise fast enough to increase total employment.

The external regulation of a globalized economy brings up further conceptual difficulties. It remains quite unclear, for instance, how international macroeconomic coordination could be institutionalized to stimulate global effective demand.<sup>19</sup> Through international agencies it is possible to envision a program for expansion to be drafted, but what sanctions would prevent an individual state (or region) from not doing so (leaving it with fewer imports and more exports) and thereby improving its allocation of employment as a result? Under conditions of capital mobility and floating exchange rates, it would take quite coercive sanctions for the economic policy of states, even with international coordination, not to give precedence to financial stability over employment and thus austerity over expansion. It is, moreover, quite impossible to conceive what global effective demand could mean given vastly different production structures between even, say, the industrial belt around Tokyo and the resource region of Atlantic Canada. Indeed, the asymmetries of competitive capacity in the world trading system will be compounded by the attempts of all countries to develop export surpluses to improve their domestic employment situations. An international equilibrium at high employment of a

globalized economy will, therefore, be most elusive even if there is coordinated fiscal expansion or liquidity pumped into the world economy. An export- and profit-led expansion of employment is dubious in the absence of fundamentally stronger international planning capacities and controls over capital movements. But in this case, why accept the proposition that the external constraint is such that globalization is irreversible?

The internal constraints view, by contrast, contends that the weight of the open sector is not exceptional in historical terms, comparing favourably with the early twentieth century. So, as Glyn argues, it cannot be fatalistically concluded "that current underlying economic trends, such as internationalization, have definitively driven full employment off the agenda."<sup>20</sup> Social-democratic pursuit of full employment is limited, then, not by external factors, but by internal distributional relations. A number of internal constraints must be accommodated: fiscal limits after a sustained period of government borrowing; the need to prop up investment and control inflation for export competitiveness; and trend rates of growth of the labour force and productivity. With slower growth, high employment depends upon the distributional conditions that allow "employment-spreading" of capitalist-sector work and income and the financing of public-sector employment. Glyn concludes:

In a context of weak private demand and slow productivity growth, maintaining full employment required severe restraint on workers' pay and consumption to keep exports competitive, investment profitable and the budget under control. Where social democracy was capable of mobilizing such support, full employment was sustainable.<sup>21</sup>

For Boltho, the highly centralized collective bargaining institutions of the corporatist countries "lead to a much greater responsiveness of real wages to unfavourable shocks," which lessens "their destructive effect on unemployment."<sup>22</sup> Thus the control of inflation for export position and the struggle to spread work fall on corporatist labour-market institutions. But given that the key distributional compromise excludes the capitalist class, high employment depends upon the collective capacity of trade unions (supported by social-democratic parties) to impose restraint on their members: "shared austerity in one class."

The internal constraints argument has at least two conceptual flaws. In "leaden age" conditions of slow output growth, even modest productivity growth will largely take the form of labour rationalization, which most likely causes unemployment to rise (unless partici-

pation rates or work hours fall) and working-class incomes to stall if not decline. These conditions will, in turn, cause less effective demand through the uncertainty of workers' purchasing power (lack of consumer confidence) and less investment (business uncertainty), further reducing growth of capacity and output. Employment-spreading will ease the inegalitarian consequences for displaced workers as long as consumption is also spread — which will have to take place under increasingly difficult circumstances.

“Austerity in one class” must inevitably widen the income-distribution problem between capitalists and workers as soft labour demand will eventually swell the distributional share going to profits. Taxes will also fall more heavily on workers so as not to disrupt the profit incentives to investment. Higher capitalist income with no surge in investment may raise the economic problem of effective demand, especially if stagnant output growth causes capitalists to move investments elsewhere or engage in the consumption of imported luxury goods in the present rather than wait for uncertain returns in the future. Thus shared austerity can only be sustained as long as workers accept lower incomes and higher taxes for improved public services, and capitalists accept a “national bargain” to invest at home and support an expanded (and growing) non-capitalist sector.<sup>23</sup> The social-corporatist compromise will become increasingly unstable economically and politically as the tax burden climbs and other countries adopt less egalitarian (or neoliberal) competitive strategies.

Given the external constraint, moreover, the room to manoeuvre to avoid instability and breakdown of the national bargain allowing an alternate development path is increasingly tightened. The internal constraints view admits theoretically that global competition is intensifying in unstable circumstances (and it is thus internally contradictory in arguing an external constraint that is at the same time irrelevant and destabilizing). Indeed, the internal constraints view accepts that the world economy is configured into a non-cooperative game that compels a “second-best” solution of domestic austerity, as fears of major losses (from balance of payments problems and capital outflows created by expansion while other countries adopt restraint) prevent expansionary gains in output.<sup>24</sup>

This is the prisoner's dilemma that faces all participants in the world trading system especially once the knife-edge growth path allowing stability and high employment is dislodged, as occurred after 1974. This game, moreover, is dynamic and not static, and it is played by multiple self-interested actors in an uncertain and asymmetrical-information environment. The neomercantilist enticements to expand

exports by competitive devaluation or cost-cutting in such a game can easily spiral into that vicious circle of competitive austerity. So the internal constraints position is untenable on strictly theoretical grounds (apart from what we empirically know from the “beggar-thy-neighbour” tariff policies of the 1930s and the “beggar-my-working class” cost-cutting policies of the 1990s under similar levels of economic openness and capital movements): it is inevitably unstable in a world economy of competing nations and capital mobility.

The impasse of social-democratic politics arose, as Panitch argues, when Keynesianism could no longer supply gains to workers without costs to capitalists.<sup>25</sup> The theoretical viewpoints of either internal or external constraints to social-democratic employment policy offer two distinct responses to neoliberalism, with both accepting the condition that costs cannot be imposed upon capitalists. As well, they have in common the assumption that growth led by the capitalist sector is capable of restoring high employment without constraining the power of capitalists over international movements or capital allocation directly. In this sense, capitalist economies are seen to be labour-scarce economies, with unemployment a specific problem that can be resolved by an adjustment of global or national macroeconomic coordination.

This view is theoretically unsustainable. The internal regulation of income, productivity, work hours, and employment and the external regulation of trade and currency transactions cannot, theoretically speaking, be treated independently. They will reinforce (or subvert) balanced reproduction and high employment, depending upon the articulation between the world economic configuration and national accumulation structures. Both internal and external constraints require stronger regulation over capital to sustain high employment: for the allocation of capital and capacity to tax internally and to reinforce distinctive national development paths and to avoid disruptive currency movements externally. The tendencies of capitalism to undermine the conditions for high employment can only be met by a strategy of “market disengagement.”

### *A Socialist Employment Policy*

The high employment of the postwar boom emerged out of diverse national conditions to form a unique accumulation regime that maintained high growth and strong demand in the capitalist sector and a particular international configuration of relatively closed economies and managed trade.

The impasse of social-democratic employment policy today is related to three determinants: the internal constraint caused by the crisis of the economic system of production and the end of Keynesian regulation; the external constraint deriving from the increased openness of national economies in terms of trade and capital mobility, along with the lack of a coordinated regulation of the world market; and the limitations of Keynesian market-control modes of state intervention in containing unemployment through increased output. To address these causes, a socialist employment policy will have to materialize from common strategies pursued across the advanced capitalist countries, adapted to nationally specific political, institutional and economic conditions.

The construction of an alternate employment policy calls for a few strategic assumptions. It is foremost necessary to insist, against prevailing opinion, that full employment remains a central objective of an alternative employment policy. The division of workers into those who have paid work in core jobs and those excluded from stable employment at fair wages leads to social polarization and increases the leverage of capitalists to control production and inordinately influence democratic deliberation through threat of capital flight.

Even within social-democratic policy, full employment has come to mean a level of unemployment associated with stable prices. But this approach mixes up labour-market and product-market performance and contains nothing of the traditional demands of the left that employment be related to production for need and not for exchange. As Robinson noted, it would be "preferable to take a simple-minded definition, and to say that there is 'full employment' when no one is unemployed."<sup>26</sup>

Better still would be a definition that incorporated the measure of adequate labour-market performance. Full employment might then be seen in relation to the maximization of voluntary participation of the adult population in socially useful paid work at full-time hours for solidaristic wages.

Second, it cannot be avoided that Keynesian employment policies of market control failed to contain unemployment (and especially failed to address Canada's relative economic decline or to contain its unemployment limp). The postwar success of Keynesianism depended upon a set of fortuitous circumstances that kept growth unusually strong. The neoliberal employment policies of market flexibility adopted since the 1970s have compounded the unemployment crisis. It is necessary, therefore, to advance alternate employment policy strategies and institutions that would work "in and against the market"

to disengage employment from dependence upon private accumulation.

Third, the economic imbalances that have formed over the crisis point to the necessity of a *redistributional* employment policy, that is, an employment policy that would account for a number of set factors: a redistribution of work, because even a healthy expansion of demand will not absorb the unemployed; the taking of productivity advances in forms that reduce work-time, spread work, and equalize incomes; a tax regime that will expand democratically controlled and egalitarian-provided services in those areas in which most job growth will occur; an industrial policy that expands employment on the basis of increased worker input and quality products; and market-modifying policies that control capital movements and plan capital allocation.

Finally, the postwar economic order and the forces of globalization steadily advanced towards the external market regulation of national economies and a homogeneity of development paths. A socialist employment policy will have to reverse these processes by active pursuit of principles that promote national employment stability and a heterogeneity of development paths. Such a solidaristic external employment policy might be stated as the maximization of the capacity of different national collectivities to make democratic choices about alternate development paths (socialist or capitalist) which do not impose externalities (such as environmental damage) on other countries, through re-embedding financial capital and production relations in national and local economic spaces.

An alternate employment policy for market disengagement can be expressed in a set of principles around which we might construct specific programmatic objectives, institutional structures, and new modes of state intervention.<sup>27</sup> These principles do not represent socialism, but each of them endeavours to be transitional in the sense of "structural reform" that initiates democratic modes of regulation against market-control forms.

1. *Inward-oriented economic strategies are necessary to allow a diversity of development paths and employment stability.*

Economic policies have been geared to cost-cutting, fostering capital mobility and common treatment without regard to the integration of national economies or local production. Governments have poured an inordinate amount of resources into the export sector, although these efforts have not dented unemployment (and probably could not have done this even in the absence of stagnation). Yet it is a falsehood that freer trade will *necessarily* lead to an expansion of

employment and income. There all sorts of conditions, such as infant industries or research market failures, that make the theoretical case for protective devices such as quotas and tariffs as part of positive industrial strategies.

Protectionism has, moreover, always had a strong theoretical case for import controls when unemployment exists, because the supposed neoclassical gains from trade for all participants are unpredictable. There is an equally strong theoretical (not to speak of moral) case against free trade in goods produced in absolutely appalling labour conditions.

The left debate about trade and protectionism has often been, therefore, specious and hopelessly contradictory. Free trade is a neoliberal project, but rejection is an affront to internationalism because of the protection of domestic workers at the expense of workers abroad; free trade is causing job loss, but Japanese and U.S. protectionism must go. It is not a question of being for or against trade: this is a conjunctural strategic issue related to stability and egalitarian outcome. World trade in its present form is massively imbalanced, unstable, and coercive in its regulatory impact on national economies; the consequence is increased social polarization of income and work.

At stake, then, is a wider principle: the active pursuit of alternative development paths of full employment requires that the open sector not restrict domestic priorities and that the international system support rather than undermine these options. The export orientation of all economic strategies is neither sustainable nor desirable; it will have to be replaced by a strategy of inward development (which is essential to any egalitarian economic strategy). This is partly what the early Bretton Woods system permitted through temporary trade restrictions aimed at allowing full-employment policies.

This argument casts a quite different light on what should be expected of trade. It means, for example, that trade would have to come under regulation to allow different orientations on local production, environmental standards, restrictions on child labour, and so on, without sanction from "worst-practice" production models. Similarly, divergent economic models imply a degree of tariff protection and control over the open sector. Moreover, in efforts to restore balance without further job losses it has proven impossible for surplus countries to inflate enough or for deficit countries to deflate enough.

A single global market, with no common labour or ecological standards, will inevitably bargain down from the fear of competitive losses in conditions of competitive austerity. The minimization of the

use of tariffs and quotas in support of employment or of resolving payments imbalances requires a degree of international coordination and planning of trade. None of these measures imply closing the economy from trade, because economies of scale, diversified consumption, and transfer of new products and processes remain important. However, compiled together these conditions quite clearly imply the necessity of not only planning the open sector in the national context but also international regulation and coordination of the clearing of balances and reinforcement of long-term national development trajectories.

*2. Financial capital must be subjected to democratic controls on debt payment and capital mobility.*

It seems quite clear from the histories of the interwar period and the post-1974 experience that the external constraint on national economic policy does not so much impose itself from outside as grow out of the internal contradictions of domestic accumulation and the actions of the national state. A phase of material expansion, as Giovanni Arrighi and Elmar Altvater contend, ends in a phase of internationalization as products seek markets and capitalists seek higher returns in financial flows.

This condition leads to a series of problems: financial assets are increasingly oriented to short-term returns because of stagnant output; debts cannot be serviced; and national economies become increasingly vulnerable to currency movements as central bank reserves are dwarfed by financial flows.

International debts, with virtually all countries becoming more indebted, form a special difficulty. Settling them requires a net surplus of exports: everything goes into competitive and export capacity with the hope of paying debts plus interest. But the fact that other countries adopt the same approach of expanding exports and lessening import demands generates weaker employment conditions all around. Because of weaker demand, the push to meet debt and interest payments requires a further squeezing of the public sector and workers' living standards. It is impossible, then, to redistribute work at solidaristic wages and to continue to transfer the present levels of funds to financial interests.

Finding an alternative way out of the debt crisis is essential to the expansion of employment. The debt burden can only be alleviated by either a controlled inflation leading to negative or minimal real rates of interest or a rescheduling of payments that accomplishes the same thing. Anything else simply displaces an inevitable default into the

future while running down resources and capacities in the present. A hierarchy of credit and capital controls (a credit regime) also needs to be drawn and implemented, so that the power of financial capital over national development is reregulated and constrained. Some possible measures are: micro-banks; more democratic control over national banks and credit allocation to enforce planning; short-term taxes on speculative turnover in currency, bond, and equity markets; quantitative capital controls; and restructured international agencies that regulate credit repayment and long-term capital flows. Macroeconomic stability is wishful thinking without financial controls.

*3. Macroeconomic balance requires not only aggregate demand management, but also new forms of investment planning and collective bargaining norms.*

It is one thing to say that there is a capitalist employment crisis and quite another to say that releasing the aggregate demand restraint to increase output will lead to employment expansion. This misses the point that capitalist development means increased output but with increased surplus labour (and an indeterminate effect on workers' incomes). An appalling dimension of capitalism, and of neoliberal employment policy, is that the costs of the system's need for flexibility are borne by workers, while the benefits are reaped by capitalists. This is unacceptable.

Macroeconomic stability should translate into employment stability through not only firm-level job security but also a social guarantee of retraining and new job creation in local communities facing industrial restructuring. Such macroeconomic balance will have to entail new mechanisms of control to constrain and shape market forces: national and sectoral planning councils; planning agreements over investment flows and technology strategies; regional and local development boards; and public ownership of core sectors (including financial industries).

Macroeconomic balance means something quite beyond the control of demand volatility, as Keynesians would leave it. There are distributional imbalances between, for example, the social classes, public and private goods, and present consumption and future sustainability. A redistributive macroeconomic balance makes eminently more sense than one of growth — on ecological, anti-globalization, and equity grounds.

The break that has occurred in productivity-sharing from cost-cutting needs to be revoked for effective demand. But egalitarian employment also requires other considerations. Greater production

requires consumers for the output, but output increases are now more ecologically constrained. So we should push for reductions in work-time, which have historically been the most effective means of increasing employment. A bargaining norm of an “annual free-time factor” should, in solidarity with the unemployed, have precedence over an “annual wage improvement” in sharing productivity increases (allocated to favour additional employment and the poorest workers).

The decline in employment will also depend upon the form of the expansion. Capitalist-sector jobs are governed by the logic of profitability; non-capitalist-sector jobs (in the state and collective organizations) are governed by the logic of redistribution. The decline in capitalist-sector employment in the manufacturing sector is permanent. Employment growth should be tilted, therefore, towards sustainable community services that are more labour-intensive.

The question really is not one of work to do: there is a serious lack of adequate public facilities such as art galleries and new university classrooms; there is a tremendous pent-up demand for affordable housing and public transportation; and there is a great deal to be done in terms of environmental clean-up from the wreckage caused by industrialization. The macroeconomic logic of expanded production through productivity increase is qualitatively transformed from mass consumption to increasing free time.

#### *4. Reducing unemployment will entail less work and a redistribution of work.*

Postwar employment policies fought unemployment through faster growth of output and exports. Contemporary capitalist employment policies attempt, with little success, to do the same. If export-led strategies to increase employment in conditions of competitive austerity soon become a zero-sum (or negative) game of dumping job losses on other nations—who will eventually respond in kind—domestic macroeconomic expansion will not be sufficient to lower unemployment. In the absence of measures to restrict population growth, and given the objective of not lowering the participation rate of adults in the economy, employment growth alone would require a significant level of expanded output.

The increased capital-intensity of production suggests, moreover, that growth rates would have to consistently approach, or exceed, their levels of postwar boom in order to lower unemployment (at present average hours of work and labour force growth)—which still would leave unaccounted unused labour stocks and productivity gain

that even at a modest level would require significant growth. Yet the levels of growth of the postwar period, with similar extensive growth bringing more land and resources into production, would be enormously costly to the natural environment. Growth-centred employment strategies must now be firmly rejected as both unviable in reducing unemployment and undesirable on ecological grounds.

An unexpected side-effect of globalization has been an increased work-time as part of competitive austerity (with time-reduction initially stalling after the crisis of 1974). The hours and intensity of work have increased even as workers' purchasing power has been cut. The movement to fewer hours has typically required an international movement to impose an alternate logic on capitalism's tendencies to increase work intensity and hours. In a static sense it is quite obvious that work, like income, is unequally distributed. But unlike income redistribution, work redistribution has the positive consequence of producing free time.

A variety of measures can equalize work-time (especially if they are developed as universal standards): overtime limits and severe restrictions on "double-dipping" by professionals; extending vacations and national holidays; and voluntary job-sharing plans by worksite. But the major impact on unemployment would come from a sharp reduction in standard work-time, with the clear objective of moving to an average annual volume of 1,500 hours of work with a 35-hour work-week — bringing the advanced industrial countries slightly below current German levels.

An existing plant might be worked harder (until fixed investment expands) through expanded shift work. But with slow output increases, the short-term reduction in unemployment will require a shift in income — offset by productivity gain, less hours, lower unemployment claims, and better public services — as well as work. So a strategy of less work must be implemented in as an egalitarian manner as possible, avoiding the folly of having only the public sector work shorter hours, which both ruins public goods and increases inequality. An expansion of output will then have the maximum impact on employment. A defensive struggle to spread work can form the basis of an offensive struggle for a different way of life.

*5. A "politics of time" should extend beyond setting standard hours to consider the allocation of work-time and free time.*

"Work without end" has been the history of capitalism. Fordism added "endless consumption" and the Keynesian conviction that ex-

panded output should always have precedence over reduced work-time for any labour time freed by productivity advance. Changing this orientation will raise questions of an existential order about work, employment, and the self-management of time.

This consideration has a collective and a personal side. On the personal side, there is an obvious increase in discretion over free time. It is also possible to pursue more flexible patterns of work-time through flex-time, banked time, single seniority lists based on hours worked, and paid educational leaves that reshape the control of time. There is an equally important collective side to lowering work-time. There is, for instance, more ample time, as both Andre Gorz and Ernest Mandel have argued, for collective decision-making in administrative and legislative activities. The radical reduction in work-time, with greater worker control over the allocation of time, raises the concrete possibility of the long-time demand of the socialist movement for a "democratically controlled economy."

*6. Productivity gains in the labour process should be negotiated against the requalification of work.*

The employment crisis also relates to the supply-side crisis of production (which in turn structures labour demand). The new technologies further restructure the supply-side by bringing changes to the labour process and work-time. Competitive austerity, however, is compelling the work speedup and job fragmentation of Taylorism even based on the sacrifice of productivity gain that might occur from increased worker input into production. There are two aspects for an alternate employment policy: the struggle against Taylorism and for the requalification of work.

A positive restructuring — which would depend upon altering the balance of class relations on the shop floor and in society — would entail exploiting the capacity of the new technologies to involve workers in production and the planned elimination of boring, repetitive jobs. The fight against Taylorism extends into training, and particularly the anti-Taylorist logic of preserving and expanding workers' skills. In this sense, training for workers is quite different: long-term, broad skills rather than short-term, specific skills; transferable skills over firm-specific skills; theoretical as well as practical knowledge; and skills that extend worker autonomy over the labour process. Thus formal qualifications, earned through institutional training or a mixture of formal training and on-the-job training, tend to allow workers more flexibility and control over their labour process. The

requalification of work would extend broad skills of technical competency to all workers.

Employment and training policies have always been linked. Training plays a central role in industrial policy and thus aggregate and sectoral labour demand, in matching labour supply with skills demand, facilitating adjustment between jobs, and in improving skills in cyclical downturns.

Training has to fit with other initiatives, because it cannot create labour demand for imaginary jobs. But building workers' capacities and skills as a continual process has the positive benefit of providing an oversupply of high skills, which can make easier adjustment to demand and technology shifts. Increased worker participation in the labour process to increase productivity is undoubtedly a struggle waged on the terrain of the capitalists. Yet reuniting conception and execution and rebuilding workers' capacities will materially advance the possibility of worker self-management, a possibility that must form the premise of any democratic socialism.

*7. The requalification of work should be linked to quality production within a quality-intensive growth model.*

It is no longer possible to simply lay to the side the quality of the growth process, issues of work process and product design, or production for social need. The failure of social-democratic Keynesianism was possibly greatest here, in that it never developed state, community, or worker planning capacities or offered a "different way of life." Keynesianism above all attempted to alleviate the capitalist unemployment problem by encouraging growth in the quantity of consumption goods and thereby in the quantity of employment hours demanded. Yet it is now more necessary than ever to connect the skills, resources, and employment that go into the labour process to the ecological quality of the production process and the use values that come out.

An alternate employment policy might accentuate a number of positive trends. The requalification of work, for example, makes it feasible for unions to develop their own technology networks, popular plans for industry, and socially useful products. As well, there is an element of the new technologies that does allow decentralized small-scale batch production or flexible specialization (although this cannot be generalized into an entire economic system, as some wildly wrong theories did in the 1980s), allowing for a whole range of customized instruments, clothing, and housewares — as a walk down Queen St. West in Toronto quickly confirms.

Quality-intensive growth also speaks to the provision of public services. Here the problem is twofold. The bureaucratic Fordist-style of the postwar public sector can also gain from diversified and quality production to overcome standardization and input-controlled production of public services. The quantitative restrictions of austerity have also seriously damaged the quality and range of public goods, from such basics as clean streets to the more aesthetic condition of the variety of art available in public spaces. A socialist employment policy will foster, therefore, a quality-intensive growth model that encourages workers' skills and capacities, incorporates resource-saving and durable production techniques, and produces free time, collective services, and quality products.

*8. The decline in work-time allows the administrative time for workplace democracy.*

An unexpected benefit from decreased work-time is that it allows for a democratic expansion of employment by freeing administrative and deliberative time for workplace and community planning of output and work. With work-time reduction and job security so central to an alternative, it is quite necessary and possible to put workplace planning agreements on the bargaining table. These not only include, most obviously, information on compensation, profits, and trade and investment plans, but should also advance towards product design and long-term workers' plans. Labour productivity gains not taken in increased output can be taken in increased time devoted to workers' control and environmental sustainability.

Capital will not yield such "structural reforms" over democratic control without threat of a capital strike. Capital would prefer to continue with Taylorism than risk worker self-management. This makes the external regulation over capital flows critical.

*9. Local employment planning capacities will be central to sustaining full-employment.*

Postwar Keynesianism concentrated on centralized aggregate demand management with little economic planning. This approach recognized, however, that employment planning and adjustment policies were a necessary supplement to demand management in tight labour markets. Yet the considerations remained largely about forecasting occupational and labour force trends and not about planning of resource usage, and they certainly never extended into the actual planning of a "public works shelf" of projects to be taken up in downturns.

The local component of planning was labour exchanges, which served largely as a location for job listings and counselling. They never did much in the way of identifying local job or skill needs. In Canada, even the limited services provided by employment centres have been allowed to run down under the neoliberal policies adopted from the 1984 Canadian Jobs Strategy on. By the mid-1990s Canada had virtually no national labour-market strategy or local intelligence centres.

An alternative employment policy will, in contrast, have as a priority the development of local administrative capacities. There is a desperate need to formulate local labour plans that would account for the existing labour stock and skills and forecast local labour force trends, skill shortages, and job trends. This kind of knowledge cannot be found or developed centrally. Local labour markets, therefore, must become much more forward-looking and active planning units rather than the passive dispensers of dole payments or centres for the video display of job postings that they have become.

There is an added dimension to local employment planning. In the service sector, where most job growth will take place, the challenge is to not only raise the quality of work and pay but also to collectivize many service activities currently unavailable to many people because of income restraints (as with daycare) or not available at all because of underfunding, which is the case for the public good of achieving a cleaner environment. It is impossible to envision these activities taking place without planning of resource use and input from users and producers of the services. How does one go about providing library resources in a multicultural society from an office tower in Ottawa? Decentralized popular planning should be central to a non-capitalist "third sector," that is, self-managed community services — either newly formed or partly devolved from traditional state administration — such as cultural production, environmental clean-up, education, and leisure.

These activities will have to be planned, through local labour-market boards, to determine socially useful activities, community needs, and local skills. This reinforces the linkages between the expansion of employment and the formation of democratic capacities.

*10. Socialist employment policy should extend new forms of democratic administration.*

Employment policy is typically administered through traditional hierarchical bureaucracies of central offices of control, planning, and funding and decentralized employment exchanges. The exchanges

grew in prominence with war mobilization and the subsequent adoption of unemployment insurance schemes. The exchanges embodied, in many ways, the worst aspects of postwar bureaucratic administration: poorly planned and ill-focused at the centre, and rigid and remote in local communities.

Where could it have possibly been said that the local Canada Employment Centre was the key location for discussing and planning work in the community? Yet in a democratic society, in which most of us spend a large portion of our adult lives working (or seeking work), this is exactly what they could and should be. It would be quite possible to establish a statutory labour-market system structured through local, democratically accountable bodies. This could be encompassed within a national employment policy, with the local boards allowed a decentralization of decision-making and thus with local communities gaining a more active role in establishing production, employment, and training priorities.

Such democratically elected boards could serve as a "space for the alternative" on a broad range of local issues: where workers' plans are linked to community economic development plans; where the improvement in the quality of jobs is actually taken on as a societal project; where workers and unions are specifically given resource assistance to form employment plans; where community environmentalists and unions come together around health and safety and workplace pollution; and where communities are mandated to plan community needs and to provide socially useful employment.

### *Unemployment and Canadian Economic Decline*

This outline of a socialist employment strategy of market disengagement departs from the employment principles that have been evolving in the present "leaden age" period. Neoliberal employment policies for export-led growth have caused, even in societies with developed training institutions, higher unemployment and social polarization. The asymmetries in the world trading system bar an export-led expansion of employment and compel further wage-cutting to match competitiveness — or leave us facing a deterioration of balance of payments and employment.

An alternate employment strategy will have to directly confront these conditions and proceed well beyond the Keynesian market-control strategy of the "golden age." Keynesian employment policy pivoted on high capitalist-sector-led growth, facilitated by demand management and labour adjustment policies. This growth, exceptional

in the history of capitalism, is unlikely to be repeated — nor on purely ecological grounds would we want it to be repeated, based on the potential consequences to the biosphere. The alternative, in contrast, places an emphasis on reducing unemployment through redistribution — through reduced work-time, a squeeze on income differentials, and development of collective services in the public and third sectors — rather than growth on ecological and egalitarian grounds.

Additionally, the economic planning of resources and non-market activities — at the centre of the national economy and in local communities — has the intent of extensively disengaging the determination of investment and employment from the capitalist world market. A redefinition of the nature of work, maximum institutional controls over capital mobility and allocation, and the extension of economic planning rest at the core of any solution to the internal and external constraints on employment policy.

Canada has followed a mass unemployment trajectory that can be traced back to the postwar settlement. While the rest of the advanced capitalist countries moved towards full employment over the course of the golden age, Canada began with full employment during the reconstruction period of the 1940s and steadily progressed towards high unemployment. Since 1974 the erosion of the economic conditions for rapid growth and high employment has made mass unemployment a fixture of the Canadian economy. The relative economic decline of the Canadian economy has not provided the output growth to absorb productivity and labour force trends. The secular deterioration of Canadian employment policy institutions has neither aided competitive capacity and the external constraint nor helped with employment-spreading and the internal constraint. After 1974, Canada's "limping golden age" quickly became transformed into a "leaden age" of falling working-class living standards and mass unemployment.

The global economic pressures precipitating a vicious spiral of competitive austerity have not yet led to the traumas of depression and war of the "beggar-thy-neighbour" tariff policies of the 1930s. Yet it is difficult to dismiss the continued stagnation (and the potential for collapse) from the deflationary "beggar-my-working class" cost-cutting policies actively being pursued by the governments of the advanced capitalist countries in the 1990s. If history is at all a guide to the present, Canada can be expected to continue to suffer enormous strain in these economic conditions. Its export-oriented, resource-dependent growth model and neoliberal employment policies will be

quite unable to prevent a continued deterioration of employment conditions.

The country's long trajectory of relative economic decline and secularly increasing unemployment will no doubt persist without an alternative that at least begins to move in a different direction. The political consequences of the failure to adopt a solidaristic employment policy, through a co-ordinated international effort, are very bleak indeed.

### Notes

1. See Pekkarinen, Pohjola, and Rowthorn 1992; Panitch 1981.
2. OECD 1994a: ix.
3. For data this section draws on OECD 1994a; Eatwell 1996; and Armstrong, Glyn, and Harrison 1991.
4. Gordon 1996. *The New York Times* recently reported a study by Harvard economist Richard Freeman that argues that the long-term unemployed rates are similar in Europe and the United States, but that in Europe the unemployed end up on the dole while in the United States they end up in prison.
5. Data here come from Porter 1991; Statistics Canada 1988; and Canadian Labour Congress, *The Economy* (Ottawa), quarterly.
6. Porter 1991: 6.
7. Rowthorn 1992.
8. Cross 1995; Friedman 1968; Bruno and Sachs 1985.
9. Keynes 1936; Layard, Nickell, and Jackman 1991.
10. Samuelson and Scott 1973: 308.
11. Kalecki 1943; Robinson 1951. The Keynesian position, even among the left, consistently ignored or denigrated the ideas of labour-saving technological change or environmental constraints on high employment through growth. Robinson changed her views on this only towards the end of her life.
12. Crotty 1983.
13. Eatwell 1996.
14. Scharpf 1991: 274; see also Garrett and Lange 1991.
15. Coates and Barratt-Brown 1993; Holland 1983; Williamson 1982.
16. Piore and Sabel 1984; Streeck 1992.
17. Rogers and Streeck 1994: 143.

18. Amsden 1996. To the extent that new technologies have become a key competitive factor between nation-states, the pressure to reduce labour per unit output will also be general. A countervailing demand growth to offset labour-saving is unlikely to emerge unless investment in new technologies causes an investment boom in linking industries (as, for example, the railroad boom caused).

19. Albo 1994.

20. Glyn 1995: 35. See also Rowthorn 1995; Notermans 1996. The empirical argument here is a bit misleading because the relevant comparative case is not the 1910s but the boom, which tells a quite different story. Glyn's argument also ignores the dramatic opening of the U.S. economy since 1974, which is key to the international instability.

21. Glyn 1995: 54.

22. Boltho 1993: 73.

23. The solidarity to support employment through lower working-class incomes can only be sustained, contra Glyn and Rowthorn, through a process of *demobilization* of unions and workers, because the strategy depends upon a heavily organized working class to have its economywide impact. But why would a mobilized and organized working class curtail its demands in an increasingly unequal context, rather than seek to impose limits on capitalists (which they rule out as politically and economically unfeasible)? This raises the contradiction of union restraint and incomes policy of the postwar period to a higher level in a leaden age of low growth and declining incomes. The "socialism in one class" that Panitch noted with respect to incomes policy becomes "shared austerity in one class" in terms of employment-spreading.

24. Nell 1996: 116–18, 130–32.

25. Panitch 1986.

26. Robinson 1951: 105.

27. The following sections draw upon Bienefeld 1994; Lipietz 1992; and Jenson, Mahon, and Bienefeld 1993.