Political Restructuring of Exploitation: An Historical Materialist Account of the Emergence of Neoliberalism in Canada

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From a Canadian anti-free trade Web site

1. Introduction

In the era of globalization, the scope of state intervention has been said to be substantially reduced. This is particularly true of small open economies (SOEs), such as Canada. While no one can deny that the ongoing centralization and concentration of global capital is a powerful influence on domestic policy-making, many globalization enthusiasts have lost sight of important class-based choices that occur at the national level because of historically specific circumstances between nation states, such as the United States and Canada. This article seeks to offset the outside-in focus of explaining the emergence of neoliberalism in Canada by viewing it historically as being an integral moment of global capital accumulation. In doing so, the article argues that the rise of neoliberalism, especially in the form of macroeconomic policy-making, is best understood as the political expression of a new forms of domination that emerged from a larger class-based project aimed at increasing the levels of economic exploitation. In other words, neoliberalism stems from class struggles over the restructuring of wealth and power.

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The argument will be developed in the following manner. In the next section, I supply a theoretical discussion which guides my understanding of historical materialism by drawing out the relations between the state, capital, and crisis. In section three, I offer a sketch of the concrete manifestation of crisis within Canada during the 1970s. In section four, I examine the political and ideological contours of the most stringent form of monetarism in the G-7 countries, namely gradualism (1975-82), which arose from the effects of the general crisis of overaccumulation of capitalism and the interconnected failure of the Keynesian form of political domination. Section five examines the reinvented form of political domination that emerged from the ashes of gradualism, that is, continental rationalization which is reflected in wider transnational restructuring strategies such as the Canada-US Free Trade Agreement (CUSFTA, signed in 1987) and the North American Free Trade Agreement (NAFTA, signed in 1992). In the final section, I draw conclusions and discuss the benefits of the analysis offered here.

2. Theoretical Considerations of the State, Crisis and Capital

It is helpful to begin our inquiry by locating the state within the capitalist relations. Given that capitalist social relations of production are constituted by highly exploitative relations between capitals and labor, capitalist development proceeds along a crisis-led path, such as the crisis of overaccumulation that emerged in the early 1970s. Declining rates of profitability and the dominance of money capital over productive capital were the interrelated hallmarks of this crisis (Marx 1990). On one level, restructuring implies that capitals have attempted to overcome the barriers to capital valorization within an environment whereby the so-called real economy has been de-linked from the symbolic economy (e.g., constituted by junk-bond dealers, leveraged-buyout specialists, and risk arbitrageurs). This situation has in turn led to the increased vulnerability of production to financial speculation. On a deeper level, restructuring suggests a renewed confrontation between labor and capitals within the broader transformation of all points of production carried on by capital, as well as the continual enlargement of the periphery of circulation (Marx 1990). The question which arises here is, what role does the state play in the economic restructuring of exploitation? In what follows, I attempt to address this question by discussing the state's activities within national and transnational spaces of restructuring.

With regard to the national space, the transformation of all areas of production does not solely involve the introduction of new machinery, new modes of production, and new management strategies to the shop-floor; rather it encompasses the reorganization of the entire social relations of production, involving at once the state, labor, and capitals. Owing to its role in guaranteeing the continuation of capital accumulation, the state is a significant factor in this equation, especially during times of crisis. The reason for this is to be found within the inherently conflicting relations between capitals and labor. Due to the exploitative nature of these relationships, capitals cannot legitimately impose their will on labor without threatening the reproduction of capital. As Marx reminds us, there does not exist a general interest of capital; no one, including bureaucrats and politicians,

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holds a blueprint to either avoid or smoothly hurdle the political, economic, and ideological effects of crisis (1981). Thus, there exists a need for a seemingly neutral party which can mediate the ensuing class struggles, as well as back this mediation up with the legitimate monopoly of coercive force, so as to ensure the reproduction and necessary expansion of capital accumulation. The capitalist state fulfills this part by assuming the *appearance* of a separate institutionalized entity (or, relative autonomy) vis-à-vis the economy. Nevertheless, this externalized position of the state is Janus-faced in so far as it is at once both real *and* illusory.

The state's particularized appearance vis-à-vis the economy is real; for to mediate struggles within the larger capital accumulation processes, the state does not directly participate in the sphere of production and exchange geared towards the valorization of capital (i.e., the economic realm, or the market). For this reason, its *modus operandi* is quite distinct from that of the economic sphere. More to the point, the real importance of the state lies in its political and ideological dimensions. Politically, the effects of crisis appear differently for the state than for capitalists; for the state, the crisis implies decreasing levels of revenue, rising levels of inflation and unemployment, balance of payments difficulties, and increasing debt burdens, as well as multiplying contradictory demands placed upon it by capitals and labor. Since the crisis, state intervention has moved from its inwardly-looking forms of political domination, such as Keynesian demand management based on a political and material social pact of the social welfare programs and steady wage increases, towards a "national competition state" (Cerny 1993; Hirsch 1995). This new orientation of state intervention subordinates all policy formulations to the goal of attracting and retaining the highest amount of capital investment possible. Moreover, all of this occurs in the absence of either a political or material basis of class compromise. From an ideological point of view, within the context of liberal democracy, states must address and attempt to resolve the inevitable socio-economic and political conflicts arising from the establishment of a "competition state" in a manner that appears to represent the interests of society at large, or general interests, as opposed to particular interests. Since the relatively autonomous position of the state is not functionally given, but must be reproduced through struggle, the state must intervene in the wider restructuring activities while concealing, or at least legitimizing, its class-based nature. This, of course, is not easily achieved, particularly within the parameters of the wider neoliberal paradigm, since the latter implies that the state blatantly assists in shifting wealth, power, and security away from the bulk of the working population.

The political and ideological roles of the state are complicated by the fact that the state's particularized appearance is also fictitious. Although the state assumes an externalized position vis-à-vis the economy, it is nevertheless an integral moment of the capital relation. This indicates that the state is a political expression of class domination occurring within the wider economic relations of exploitation. However, it should be stressed that this does not imply that the state is neither an instrument of a powerful class fraction nor an independent actor. The power relations which are politically reflected in the state are constantly changing, since it is a moment of the wider struggles involved in overcoming the barriers to the capital valorization. This presupposes that political domination is not static, but rather takes its expression from the ever-changing, balance

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of social forces within the economic social relations of capitalist production. In this respect, capitalist restructuring necessitates a constant renewal of political and ideological schemes to facilitate the successful implementation of policies aimed at overcoming the barriers to capital valorization, while attracting and retaining capital inflows. As the state attempts to mediate the struggles brought about by economic restructuring, it internalizes these conflicts and in turn becomes itself restructured via this dialectical interaction with the economic realm. Yet, it must be underlined that because the state is an integral moment of the capitalist social relations, it can never truly resolve the crux of crisis, that is, the inherently contradictory relations between capitals and labor. What states can do is to lend shape to the economic, political, and ideological contours of crisis to ensure the continued expansion of capital so as to conquer the hindrances of profitability.

With regard to the role of the state within transnational restructuring, it should be noted that nation states are integral moments of global capital accumulation, or what Marx referred to as the world market. As such the state does not exist in isolation, but rather within a multiplicity of cooperating and competing nation states. In this respect, it would be both logically incorrect and historically false to assume that capital first develops fully within the borders of a given society or nation and then expands beyond them. In this sense, there does not exist *something* outside in hyper-space that is impinging on the nation state and national forms of capital accumulation.

From the above perspective, the crisis of overaccumulation has led to a modification in the existence of the global capital relation, which involves a change in the relations between territorially fixed nation states and the global movement of capital (Holloway 1995). As we will see below, trade agreements such as CUSFTA (1987) and NAFTA (1992) mirror the attempt of nation states to overcome the barriers to profitability and ensure adequate amounts of capital investment by more deeply integrating their social relations of production, especially to buffer increased forms of competitiveness in trade and production by attempting to break the hold of organized labor at the local level and spreading infrastructural costs (not to mention risk capital) such as increasingly expensive R&D. Transnational forms of restructuring, however, do not move along a smooth path. Economic integration involves a heightening of competition for market shares *between* nation states, as well as an intensification of political discontent among various groups *within* these countries. Numerous antagonisms among social actors have emerged as a reaction to the socio-economic effects of restructuring, such as the widening disparity in income distribution, deterioration of social cohesion, and loss of the safety net. In contrast with the neoclassical thesis of comparative advantage which presupposes that free trade somehow levels out the uneven playing fields, capitalist restructuring along transnational lines leads to increased forms of competition and inequality between nation states. In the final analysis, intensified competition for shares of the ever-shrinking proverbial pie, implies higher levels of exploitation of labor within *and* between national boundaries. This contradictory dynamic within transnational restructuring will also serve both to influence and limit strategies pursued by the state. The tension between economic integration and increased forms of competition (exploitation) mirror the dialectical interplay between national and transnational forms of restructuring.

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3. Crisis in the Canadian Political Economy

In Canada the crisis manifested itself most notably by escalating rates of inflation, capital flight, growing debt-to-GDP ratios, budget deficits, and intense forms of labor unrest. Between 1971 and 1975, one-quarter of the industrial disputes recorded after 1900 erupted. Indeed, Italy was the only country in the Western World to match Canada in terms of labor militancy (Heron 1996). As the labor movement expanded its power, the state responded with policies designed to contain and limit its strength through back-to-work legislation which was aimed at public servants, so as to establish a "good example" for labor in general (see Panitch and Swartz 1993).

Another feature of the crisis was an outward stampede of capital. For a country whose technological and export-dependent accumulation patterns necessitated high levels of capital investment, this was particularly troublesome. Canada moved from being a net importer of (mostly US-based) foreign direct investment, in the period of 1946-1974, to a net exporter in the 1970s and 1980s. With the re-direction of capital flows associated with the larger crisis of overaccumulation, between 1975 and 1984 total Canadian direct investment in the US expanded by 438 per cent (Carroll 1989). Closely related to this were the problems arising in the area of trade, for the country was losing equally heavily on exchanges within the de facto trade agreement with the US, the 1965 Auto Pact.[1]

Likewise, with the presence of increasing inflationary levels, the Central Bank contracted the money supply, so as to halt further appreciation of the Canadian dollar and thus loss of competitiveness. This had the obvious effect of increasing the demand for money in Canada (Wolfe 1977). What is more, the tightening of the money supply encouraged large amounts of capital flows into Canada which resulted in parallel increases in the size of Canada's international reserves. In response to this growth in the level of reserves, the Bank of Canada was forced in 1970 to unpeg the exchange value of the Canadian dollar, which had been fixed since 1962 at US $.925. The floating of the dollar at this crucial point in time had several important and contradictory consequences for the government's campaign against inflation. First, the exchange rate quickly rose in value to a level near parity with the US dollar, which had the effect of lowering the costs of imports from the US and thus obviously assisted in bringing down the rate of inflation. Second, floating the dollar resulted in a rise in the cost of Canadian exports, which in turn contributed to a reduction in the demand for Canadian products as well as indirectly contributing to the rise of unemployment levels and the slowdown in the growth of the economy. While each country is a major trading partner of the other, it is not surprising that Canadian and US prices move together quite closely; yet by the 1970s approximately 70 per cent of Canada's trade with the US was affected by exchange rate manipulation to maintain the competitiveness of Canadian exports (Donner and Peters 1979: 31).

At this crucial point the so-called "special relationship" between Canada and the US came under severe strain. This was not the least because of the worsening economic condition in the US, apparent by the demise of the Bretton Woods system in 1971 and the move from a world hegemony stabilizing the international economic arena towards a "national competition state." Two US policies are of particular import here: macro-

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economic and trade policies. To attract the largest amount of capital inflows, the US resorted to a high interest rate strategy which led to the "paper dollar standard" (Strange 1994). Protectionist sentiments were slowly rising in the US. These were largely targeted at the key economic zones in Canada, namely, its natural resource and manufacturing sectors. The US government restricted, for example, the export of Canadian uranium by enrichment regulations for US plants, as well as the introduction in 1971 of tax legislation which was designed to discourage US investment abroad by providing a 7 per cent tax credit for domestic investment and to encourage exports as opposed to foreign direct investment (FDI) through a tax credit on foreign sales. Similarly the US tried to impose quotas on oil imports, as well as using its monopoly power to force down the prices of natural gas and sulfur.

Gradualism as Social Discipline

> *Money isn't unionized, doesn't have a pension plan, works seven days a week and doesn't talk back.*
>
> *--Peter Drucker, quoted in the Canadian Manufacturers' Association* Canadian Manufacturing at the Cross-roads (1986: 26)

For the Canadian government the gravest problem brought on by the crisis was inflation, and its cause was closely associated with rising wages. Thus as the labor movement expanded its strength, the state responded with policies designed to contain and limit this power by invoking back-to-work legislation aimed at public servants. First, the state implemented back-to-work measures for public employees. In 1970-74 these totaled 16; in 1975-79, 25; and in 1980-84, 22. Second, "the Anti-inflation Program of 1975-78 suspended free collective bargaining for *all* workers. It was initiated by the government and upheld by the courts on the basis of an elastic definition of economic emergency" (Panitch and Swartz 1993: 23-5). This program empowered the Anti-Inflation Board2 to roll back collective agreements to conform to wage guidelines in both the public and private sectors (Clement 1977: 97). On October 1975, the Liberal government introduced mandatory wage and price controls and fiscal policy restraint, the key aim of which may be summed up by a quote furnished by the then Secretary of State: "we are living too high on the hog in Canada, getting too fat, getting too lazy and lacking in the discipline that has been enforced on people in other countries..." (Courchene 1977: 38).

In this same year, the Canadian government introduced monetary gradualism, and thereby effectively abandoned its thirty-year-old policy of maintaining relatively full employment and steady incomes, in favor of severe checks on the expansion of workers' income (Heron 1996: 111). In short, gradualism was at once a political and ideological attempt to *overcome defiance and attain compliance*. With regard to the ideological facet

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of this new political form of class domination, the assumption of the structural antinomy between the neutral, pluralist state and the self-regulatory market forces acted as the backbone of the neoliberal ideology that would accompany gradualism. For example, neoliberals argued that the market was not only more efficient and just than state intervention, but also that state involvement in the economy encroached upon the moral fibers of the free market-system. That is to say, "the state will always tend to penalize success and reward failure as the state takes away from the minority who have been successful in order to compensate those who have fallen by the wayside" (Clarke 1987: 401-02).

Likewise the ideological assault on the Keynesian welfare state symbolized the deterioration of the compromise struck between various powerful labor groups and capitals after the Second World War, a compromise which was rooted in a particular fordist form of capital accumulation. Given the necessity of restructuring the labor markets within the productive structure, neoliberal ideology was seen by the ruling classes as an appealing alternative to Keynesianism, since it effectively weakened the position of labor by revoking collectivist rights with state forms of class accommodation, either through legal forms or certain welfare programs. As Panitch astutely noted, it is only in this sense of labor's material and political accommodations provided by the state that capitals wished to see the state become weakened (1987). Because capitalist restructuring involves the transformation of the relations between the state, capitals, and labor, the Canadian state was also undergoing internal modifications which in effect placed limitations on its traditional Keynesian forms of domination. For example, the state required a legitimate mode of operation that would allow it to side-step labor's demand for rising incomes and employment, and thus focus on the only means by which these needs could be eventually assuaged, that is, through the growth in the sphere of production. For both the state and capitalists, the only method of obtaining this growth was to subordinate production to profit by instilling the subordination of all demands of labor and needs of capitals to the rationality of the market (Clarke 1988: 12). Monetarism supplied this cover for the state; it made traditional forms of Keynesian political intervention seem undesirable and undemocratic. The ideology of the rule of the market would effectively remove the state's burden of responsibility of "steering" the economy via demand management (Clarke 1987: 401).

This ideology would support the policy component of this new form of political domination, namely monetary gradualism. Gradualism attempted to assist capital restructuring by subordinating all demands to the rationality of the market by transforming the behavior of the economy via the trend of the money supply. In doing so, the government removed political accountability from public sight and placed it behind the opaque activity of the Central Bank. This in effect kept political decisions both impersonal and above the reach of social forces (Drainville 1993: 24-5). "Money as social discipline" (Drainville 1993) permitted the state to address the effects of crisis in a manner that would grant primacy to the attraction and retention of capital flows, while aiming to address the gravest of all the government's problems, that is, inflation and its immediate effects on the levels of capital investment in the country.

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In brief, the main instrument of this policy was the reduction in the rate of growth of M1,3 i.e. base money which is the stock of circulating currency and deposits of the private banks with the Bank of Canada. The M1 target system was to serve as a constant reminder of the need for a deceleration in the rate of monetary expansion over time, if inflation was going to be brought down. The underlying logic of this policy was that the private economy, comprised of rational buyers and sellers, is inherently stable and that the natural rate of growth tends to gravitate towards the Walrasian law of general equilibrium. This is based on the understanding that "[i]f money is stable, or at least predictable, then it can serve as the means of calculation, the basis of economic decision-making and the mechanism for economic coordination. Further, the link established by money between effort and reward will provide sufficient incentives to maintain economic dynamicism" (Clarke 1987: 401). Sustained by the ideology of neoliberalism, the state focused on highly complex quantitative indicators to depoliticize the disciplining nature of gradualism in the face of the increasing social conflicts and demands placed on the state.

The class nature of monetarism, seen here as a political and ideological instrument to attain compliance of labour, was apparent by the fact that its benefits were clearly skewed in the interests of capitals. For instance, the high interest rates, particularly vis-à-vis the US rates, which choked consumption levels of working- and middle-class Canadians, paid handsome dividends to investors and creditors. Additionally the ideological foundation of gradualism not only legitimized the government's neglect of rising unemployment, but further facilitated the attacks on the prime sources of inflation, namely, unproductive and thus costly labor power as well as high levels of public spending. Leaning on the arguments of the Philips Curve, the government justified its preference for dealing with inflation instead of unemployment, since tending to the latter will result in accommodating the former. In this vein, the country's political and socio-economic problems were couched in terms of a cruel dilemma: either the government yields to the demands of labor for wage increases or instead works towards sustainable growth. In the final analysis, gradualism did not assist in restraining prices; but rather, and more significantly, it effectively limited wage gains (compliance). In doing so, the controls program simply created a substantial redistribution of income from labor to capital. In restraining wage increases much more effectively than profit margins or price increases, monetary controls shifted national income away from labor toward profit and dividends (Wolfe 1977: 73-4).

All told, the Canadian government implemented the most draconian form of monetarism, in comparison to the other G-7 countries, largely due to the specific internal configuration of class power within Canada, which is evident by the more militant expression of labor discontent than its American counterpart. Added to this, the particular character of its national accumulation pattern as a "rich dependency" of the US made it imperative to confine and weaken labor power, if Canada was to ensure capital inflows, as well as stem capital flight. The following quote sums up the essence of the problem as seen from the perspective of the Bank of Canada:

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> Labor costs account for about two-thirds of all production costs for the business sector as a whole. Thus, the strong rise in labor costs put an effective limit on the pace of deceleration of Canadian inflation in the latter part of 1981. While there was some cyclical increase in measured productivity per worker in the first half of 1981, there was no evidence of any permanent improvement in the trend of productivity growth. Without such an improvement, the rise in labor costs of production keeps step with the rise in wages. The 12 per cent increase in the average industrial wage in 1981 was substantially above the increase recorded in 1980. Moreover, wage settlements, an important leading indicator of advances in wage costs, increased strongly in 1981 (Bank of Canada, Annual Report 1981: 17).

The above message is unequivocal: if Canada was to compete for market shares with the US, it not only required cheaper and more complacent labor power in relation to the US labor market, but also higher interest rates to attract capital investment. Gradualism seemed to fulfill these policy objectives, at least temporarily, by creating an environment which legitimately assisted capitals in forcing labor to accept their terms of exploitation. In addition to the tight money targets, the Bank informed the Canadian public that it should be prepared to expect the possibility of wider swings in interest rates and the value of the Canadian dollar, that is, high interest rates to attract capital and a low dollar to support Canadian exports. In truth, however, as in the US case, the Bank of Canada pursued a contradictory economic policy of tight money supply, manipulation of the external value of the Canadian dollar, and setting of higher interests always higher than the US to discipline labor while competing for capital investment. One of the most significant consequences of monetarism was the sharp rise in unemployment which translated into escalating demands placed upon the state from both business and labor groups.

In order to subdue these conflicts, the government had to finance various adjustment programs (e.g., subsidies to the private sector, decreasing corporate taxes) and provide other material concessions to the socio-economic effects of restructuring. However, to accomplish this task the Canadian state required a steady inflow of capital investment. Naturally, high interest rates would accommodate this need; yet interest rates were also a double-edged knife, in the sense that they also served to choke the Canadian economy while increasing the interest payments of the swelling Canadian public debt. For instance, high interest rates also encouraged a massive rise in the level of corporate and government borrowing in the US. To illustrate, the net debt-to-GDP ratios increased during the gradualist experiment from 15.7 in the 1975-75 period to 33.6 per cent in the 1982-83 period (Kneebone 1996: 48-49). Augmenting this condition were sharply increasing US interest rates,[4] which served as a competitive benchmark for Canada, especially in the aftermath of what was referred to as the Federal Reserve's "cold bath."[5] To be sure, throughout most of this period, interest rates in Canada were usually set higher than those in the US on short-term money market paper and securities.

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Intimately connected to the strategy of monetarism was the larger contradiction between economic integration and increased forms of competition. On the one hand, Canada was wooing US capital investment and export markets by pursuing further economic integration via continental rationalization schemes which perpetuated its technological dependency and branch-plant nature of manufacturing.6 On the other hand, against the backdrop of tariff liberalization which accompanied the Kennedy and Tokyo rounds of the GATT, the Central Bank pursued a policy of currency devaluation from 1976 to 1986 in order to stimulate trade by lowering the cost of Canadian industrial exports (and/or increase the profitability of Canadian exporters) (Williams 1994: 147). In effect, currency debasements became Canada's *de facto* competitive policy vis-à-vis the US. Taken together, these two contradictory policy directions not only aggravated the already high levels of US protectionism,7 but, in light of the worsening economic conditions and the interconnected heightening class struggles, they also spurred on legitimation problems regarding monetarism as a form of social discipline.

During the early 1980s, the state pursued several ideologically-charged policies aimed at stabilizing the relations between the state, capitals, and labor by evoking a sense of social cohesion within the increasingly politically and economically fragmented Canadian society. First, the state made promises to the Canadian electorate, such as implementing a "fair tax" system as opposed to sticking with supply-side economics. It also pledged constitutional renewal (e.g., the Canada Act of 1982), so as to appease the federal-provincial tensions sharpened by the struggles involved in restructuring. Finally, and against the ideological spirit of neoliberalism, the state resorted to the tactic of national populism by fostering national growth through the National Energy Program (or, NEP) and a strengthened Foreign Investment Review Agency (FIRA) (Panitch 1994: 26). Given the underlying tendencies of the ongoing processes of continental rationalization, FIRA remained toothless, while NEP remained redundant, since foreign ownership and control of petroleum assets in Canada had actually declined8 in the 1970s, due to the growth of the public sector in the petroleum industry (e.g., Petro-Canada) and the maturation of Canadian-owned companies.

Not surprisingly these policies, which were designed to mend the fraying political and ideological cloth of monetarism, neither resolved the state's legitimation problems, nor assisted in overcoming Canada's competitive problems, particularly in light of the steadily appreciating US dollar between the period of 1981 to 1985 (Frieden 1996: 128). Payments on the external interest-bearing debt were increasing, labor costs were also rising, unemployment rates were surging, business profits were plummeting, capital was migrating to the US, and the rate of price increases shot back up to double-digit levels (Bank of Canada, Annual Report 1982: 17ff.). Subsequently it became increasingly evident that although gradualism managed to obtain its target of gradually reducing the money supply, it failed to bring inflation down (Bank of Canada, Annual Report 1981: 29). In 1982, as the effect of the US credit-led program of Military Keynesianism jump-started the world economy, the Bank of Canada effectively abandoned gradualism.

On one level, the rationale offered by the Bank elided the problem of inflation and instead focused on how the effects of globalization, particularly financial deregulation

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and technological innovation,[9] have made the control of the money supply impossible. In this sense, the failure of gradualism had less to do with human error than with external constraints stemming from globalized financial markets. On a deeper level, the failure of gradualism had less to do with the growth of the money supply (M1) than the contradictions inherent in the global crisis of overaccumulation. That is to say, for all countries the root of crisis lay in the lack of competitiveness in the face of increasing overaccumulation of capital within the world market (Clarke 1988). Seen from this angle, the attempts of the "competition" Canadian state to attract capital inflows implied a transformation of regulatory standards of its financial system, which in turn generated technical and administrative difficulties. Furthermore, it should be underlined that the political and economic failures of monetarism were not caused by the markets, but by an inability to restore declining levels of Canadian labor productivity. From the state's perspective, the primary reason for Canada's ongoing economic malaise was the fact that Canadian labor had not adequately adjusted itself to the exigencies of the "new competitive reality" and thus hindered the goal of higher levels of international competitiveness.

A new form of political domination aimed at attaining compliance emerged not only from the contradictions and failures of gradualism. The redesigned policy orientations would have to legitimate the political, economic, and ideological consequences of the ongoing tensions between further economic integration and increased forms of competition with the US, which assumed the economic policy of high interest rates and a low currency mix. The key issue for the government was how to deal with the ensuing struggles within this configuration in the absence of a political and materialist basis of a social pact. That is, the issue was how to reproduce legitimately the position that market forces rule supreme. The embryo of this form of political domination was already present in the 1982 Federal Budget. As we will see, in the continuing attempts to discipline labor, the new policy direction emphasized what I refer to as the "privatization of economic morality," which suggests a tactical ideological assault used by the government to mobilize Canadians to tighten their belts and work longer and harder for the "common good." For example, in the Budget the government maintained its adherence to the Phillips Curve by rejecting any form of massive fiscal stimulus, and instead opted for the continuance of monetary restraint. What is more, broad mandatory controls of prices and incomes were rejected on the basis that "[c]ontrols would merely postpone the basic shift in economic behavior that is needed -- *a shift to discipline and restraint, self-willed and self-imposed.* It is to that basic change, rather than to massive government intervention, that the government has decided to devote its energies" (Department of Finance 1982: 3, emphasis added). The government did not believe that this compliance, particularly in the face of rising tide of struggles, could be achieved without force. As such, the "stick" accompanying the Budget was the introduction of the "6 and 5" wage restraint program to fight inflation. This program essentially entailed a ceiling of income increases during the proceeding 12 months to 6 per cent ending in July 1983, and to 5 per cent in the following 12-month period. But as many observers have pointed out, the 6 and 5 program was aimed at labor at large, not merely the public sector; since "[n]ot only were the provinces expected to subject their employees to similar measures, as they largely did, but capital was also to be *inspired*" (Panitch and Swartz 1993: 29).

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Continental Rationalization as Social Discipline

The new form of political domination crystallized into the broad restructuring strategy of continental rationalization. In essence, by reorganizing Canada's manufacturing sector around a *regional* extension of US industrial production, this strategy remained within the confines of, and thus reproduced, Canada's "rich dependency."10 From the mid-1980s onwards, Canada began a new assault of capital restructuring by moving away from its traditional branch-plant economy towards an export platform serving the US economy (see, for example, Business Council on National Issues 1991, 1997). By reshaping its manufacturing sector, within the larger moment of economic integration, Canada was to compete alongside the US, and later Mexican plants, for new product mandates which would serve the continental market. Underlying this strategy was a modification in the form of competition with the US, and thus higher levels of exploitation demanded from Canadian labor, or more plainly, "getting more for less." Continental rationalization, seen as a reinvented form of neoliberalism, entails political and ideological facets, both of which support and mirror the attempts to subordinate the demands and needs of labor to the dictates of the (globalized) market. The following will consider these two tenets of continental rationalization in turn.

Since there have been many critical surveys of globalization,11 I shall not enter into the debate here. For our purposes, it is important to understand that globalization orthodoxy implies that external globalized forces, such as international financial markets, the "footloose" transnational corporations, and information technology, have become so overwhelmingly complex and omnipotent that they are seen to be beyond human control, particularly in terms of political regulation. By embracing this fatalistic position that economic globalization is both inevitable and unstoppable, the state establishes the notion of an outwardly imposed discipline of disapproving or approving markets, which in effect is seen as the key determinant in policy success and failure. In this light, globalization orthodoxy acts as a legitimizing element in the government's agenda-setting and issue selection-- both of which increasingly cater to the desires of Canada's international creditors and investors as opposed to the unemployed and disenfranchised. The ideology of globalization orthodoxy underlies what has often been referred to as "competitive austerity." This notion implies the construction and propagation of the myth that the new realities of the globalized economy require adaptive state behavior, which translates into the idea that wage demands and unemployment must continue to take the back seat to the goal of attaining higher competitive levels of productivity. Moreover this strategy is couched in terms of serving the general interests of Canadians -- or, at least *all* legally recognized individuals residing in the country. In the absence of a class compromise, this ideological strategy was to underscore the rationality of neoliberalism, so that state strategies of deeper economic integration gain popular support. Together, globalization and neoliberalism were the main ideological pillars supporting the new basis of social cohesion of the national competition state, in which capitalists, labor, and the state are to enter into an equal partnership to work towards an equally profitable adjustment to the exigencies of the "new competitive reality."

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In the policy arena, Canada's ballooning debt-to-GDP ratio became the government's foremost preoccupation and, in effect, the political counterpart to the ideology of "competitive austerity." As mentioned earlier, the extremely tight monetary policies carried out during the strategy of gradualism led the Canadian government to turn to foreign borrowing; this in turn led to a dramatic increase in the real interest paid on the federal debt, since the costs tied to the federal debt were more than double the average level during the 1970s[12] (Osberg and Fortin 1996: 50). The upshot of this was contradictory to say the least. On the one hand, these extremely high debt burdens not only served as obvious hindrances in the ever-intensifying competition for capital inflows, but also as constraints on the political leeway of the state to assist in restructuring activities. For instance, in contrast with direct spending on social welfare programs or transfer payments, interest payments made to investors have very little macro-economic spin-off effect (Stanford 1995 120-21). On the other hand, the government leaned upon the issue of Canada's burgeoning debt burden to justify further the ongoing economic integration with the US along the lines of continental rationalization. As in the case of highly indebted "third-world" countries, the government argued that the only feasible way out of the crisis was to generate an ongoing surplus large enough to offset most of the interest charges on the initial deficit, so that this debt is stabilized as a share of GDP (Stanford 1995: 129). More specifically, given the fact that by the mid-1980s the continuing deepening of economic relations between Canada and the US translated into the latter country absorbing almost four-fifths of Canadian exports and accounting for over 70 per cent of Canadian direct investment abroad (Caroll 1989: 91), the means to obtain the necessarily enormous continuous surplus was viewed as increasing Canada's export capacity to its largest trading partner, namely, the US.

Although the majority of Canada's public debt was incurred to satisfy both the self-interest of the state and capitals, the burden of repayment was to become a national concern. Analogous to the state's previous preoccupation with inflation levels during gradualism, the issue of debt became the backbone of the policy orientation with which continental rationalization was to be mobilized. Seen alongside its ideological counterpart of "competitive austerity," debt as social discipline was equally rooted in the "privatized economic morality" of necessary belt-tightening to decrease the federal deficit via "slash and burn policies" of social security cut-backs and privatization schemes.[13] It was expected, for example, that this policy orientation would drive home the point that the state would no longer act as a distributor of last resort. Instead by underscoring the notion of "competitive austerity," the state wished to portray itself as a team player in leading Canadians to a more prosperous and secure future through the exercise of tough love. At the same time, the Federal Government argued that closer economic ties with the US would help Canada overcome the two major problems of unemployment and a spiraling national debt (Department of Finance 1985: 5).

In 1984, the incoming Conservative government continued what the Liberal government had set in motion during the 1970s and early 1980s, namely deeper economic integration with the US and the steady undermining of the notion of working-class accommodation, both of which weakened labor's position in its renewed confrontation with capitals and the state. From 1985 onwards, the Conservative government swiftly

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implemented several deregulation, liberalization, and privatization policies so as to move closer to a free trade deal with the US. It was hoped that holding the door wide open for capitalists would not only facilitate new capital investment, but also goad labor into lowering its wage demands and working more productively through the exposure to increased international competition. Moreover, a key aspect during the implementation of these integration policies was to make Canadian labor markets appear more attractive for investors by eroding further the material basis of the welfare safety net. This was done by reforming unemployment insurance to reduce the duration of benefits, increase eligibility requirements, and shift the emphasis away from income maintenance towards training (Demers 1992).

As CUSFTA drew nearer, the conflicts associated with the larger transnational restructuring activities intensified. As we will see below, Canada's competitiveness vis-à-vis the US market could no longer be sustained by its traditional competitive policy of currency devaluation. Instead competitiveness would be maintained through attempts to create cheaper, more disciplined, and more productive labor than in the US. This involved a renewed confrontation between capitals and labor. For the Canadian state, this implied the necessity to provide legitimate forms of exposing labor power to increased levels of exploitation while decreasing material concessions in the form of social welfare programs. In 1986, it became increasingly evident that Canada's *de facto* competition policy was no longer viable. To begin with, in relation to other G-7 countries, Canada had the largest deterioration in terms of its trade. To illustrate, the "balance on current account worsened by $3.8 billion to a deficit of $1.9 billion in 1985. Canada experienced a $3.2 billion decline in the trade surplus. Its export volume growth, hampered by the slowdown of economic activity in the US, amounted to only 4 per cent -- even in the face of the de-valued dollar" (Bank for International Settlements 1986: 51). In addition to this, the currency debasement aggravated inflation levels, for at the end of the year the CPI was nearly 43-per cent higher than a year earlier, with approximately the same rate of increase as in 1985. It is worth underscoring that this increase in inflation occurred despite continuing restraints on labor costs per unit of output. For example, the expansion in the average earnings of wage and salary workers was well below inflation levels at about 2 per cent (Bank of Canada, Annual Report 1986: 18-19). Unsurprisingly, class struggles once again came to the fore as the unemployment levels in Canada remained above historical averages.

With the implementation of higher levels of protectionism by the US Congress, Canada's currency devaluations became a highly politicized issue during the 1985 CUSFTA talks. Bending under the pressure from Congress, the Canadian government revalued its currency in 1986. Americans were not alone in supporting this move, however. Savvy capitals in Canada viewed currency devaluations with great cynicism in regard to their ability to assist in increasing the productivity of Canadian labor. For these groups, productivity could only be achieved through greater exposure of labor to international competition. The logic behind this belief is summed up nicely in the following account of Canada's competitiveness (or better yet, lack thereof) furnished by the powerful Canadian Manufacturers' Association: "(1) Canada's competitive position has eroded due to the fact that real wages have outstripped real output; (2) persistently

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poor productivity will continue to lead to plant closures, bankruptcies and corporate re-organization; and (3) since Canadian manufacturers use a high proportion of imported components, the devalued dollar is not a competitive advantage" (Canadian Manufacturers' Association 1986: ii).

Within the parameters of restructuring Canada's "rich dependent" position, there exists a strong relation between achieving high levels of capital flows and obtaining the cheapest and most compliant workforce in North American. CUSFTA would facilitate the disciplining of Canadian labor by pitting it directly against the larger and organizationally decimated American working class (Caroll 1989). Likewise, both CUSFTA, and later NAFTA, would promote a disciplinary policy framework whereby the ongoing transformation of state intervention in the clear interests of capitals could be explained away by the exigency of obtaining policy harmonization with the US. That is to say, the agreements evoked self-imposed policy restrictions in the interests of capital, including the removal of non-market trading advantages such as marketing boards, regional development grants, crown corporations, social programs, and so forth. In this sense, the trading blocs may be seen as the concrete frameworks of the disciplinary globalization ideology.

Against the backdrop of "competitive austerity," the government relied heavily on the "hub-and-spoke" model to fortify its arguments for entering both the CUSFTA and NAFTA. Simply put, this model suggests that the only effective manner of securing capital investment from the hub (the US) was to circumvent US protectionism by entering into a legally binding agreement. In truth, both trade agreements were forged in the specific interests of the expansion of capital accumulation as opposed to improving the socio-economic situation of the working population at large. What is more, these trade pacts were not only about defeating labor in all countries concerned. The maintenance of low wage labor, which was mobilized around national competition, was to be the cornerstone of the restructuring of continentally-integrated forms of production, circulation, and distribution. In essence, continental restructuring implied reproducing and deepening the unequal relations of exchange between nation states. From this vantage point, neither CUSFTA nor NAFTA would neatly conform to the "hub-and-spoke" model, that is, neither pact materialized into economic benefits for the working population. For one thing, the trade agreements failed to overcome US protectionism. Both CUSFTA and NAFTA failed to address the issue of non-tariff barriers which affect an important amount of trade flowing across the Canadian-US borders. For another, the existing and grand-fathered protectionist legislation[14] in the US would provide little genuine guarantee to Canadian exports against a protectionist backlash from Congress. Owing to the low competitiveness of the US economy itself, it is also not surprising that the incoming Clinton Administration and a more protectionist Congress would give in to domestic pressures for increased protectionism.

The reproduction and deepening of inequality as well as increased levels of exploitation between nation states becomes apparent within the framework of NAFTA. Here protectionist tendencies are further exacerbated by the debtor status of US, Mexico, and Canada, which implies that they need to export as much as possible to other countries

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in order to improve their economic performance (Molot 1994). Clearly, given the export dependent relations of the Canadian and Mexican economies on the US, these two smaller countries will attempt to push more exports to the US market than vice versa. This in itself is a foreshadowing of the nature of conflicts over trade issues to come, particularly in light of the Canadian dollar. In 1987, for example, the Bank of Canada noted that higher prices received for Canadian exports were offset by the particularly strong increase in the volume of imports in response to the rapid growth in domestic demand. Exports were outpaced by imports despite impressive growth in foreign sales of Canadian products (Annual Report 1987: 13). Further, the "hub-and-spoke" argument is equally flawed regarding capital inflows, since the majority of the FDI seems to be going to the takeover of existing Canadian-owned firms, transforming them into subsidiaries of TNCs, as opposed to creating new productivity capacity. The shackles of the "rich dependent" status is reproduced in the sense that many of these subsidiaries are streamlining their operations- cutting costs, jobs, and production- and increasing their imports, as part of a continental rationalization of production in which Canada does not get the better part (Grinspun 1994: 111-12). Finally, Canadian policy-makers expected the productivity gap with the US to shrink significantly under the competitive pressures of a unified market; however, largely owing to the reproduction of the weaknesses within Canadian production mentioned earlier, increased labor productivity has not translated into either a cost advantage or greater competitiveness.

Against the backdrop of the larger contradiction between economic integration and increased levels of competition, the Canadian state attempted to attain compliance and thereby stabilize the increasingly uneasy socio-economic and political environment, by leaning upon the dictates of "competitive austerity" as well as the external policy constraints inscribed within the wider policy framework of CUSFTA. Taken together, the state had constructed a world in which "there is no alternative" but to cater to the interests of international financial markets and investors, so as to ensure and to retain the life-blood of the economy, namely, capital inflows and export markets. As the state attempted to re-frame the economic reality of Canada, underlying contradictions gushed quickly to the surface. On the one hand, through these political and ideological facets of continental rationalism, the state legitimately reproduced its actions of taking from the poor to give to the rich[15] by driving home the importance for all Canadians of wooing capital investment and thus of shrinking corporate taxes and increasing those on personal income. On the other hand, as suggested earlier, continental rationalization was not creating more jobs, just higher levels of unemployment. More straightforwardly, in contrast with the "hub-and-spoke" argument, deeper economic integration with the US has led to increased levels of public debt in Canada, since the high rates of unemployed had to receive material concession from the state, however meager. For example, the debt-to-GDP ratio of the federal government more than tripled from 1981 to the present, dangerously exceeding 70 per cent, and has continued to rise despite continued cutbacks (Stanford 1997: 277).

In response to the growing debt burden and heightening struggles associated with the effects of the Free Trade Treaties, the Bank of Canada followed a restrictive monetary policy in pursuit of zero inflation as a form of social discipline in 1989, and indeed well

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up to 1995. The economic costs of this monetary exercise resulted in more job losses and deteriorating output levels, both of which were directly attributable to higher interest rates and the associated increase in the exchange rates (McCracken 1998: 91). Still this move failed to keep inflation rates down, given the combination of the overvalued Canadian dollar and the lack of competitiveness of Canada within the wider US economic zone. Labor was, once again, made into the popular scapegoat of the growing contradictions within continental rationalization. The government argued that due to the unproductive nature of labor, the Canadian unit labor costs in manufacturing relative to unit labor costs in the US were far too high and seriously eroded the country's ability to compete internationally. For example, Canadian manufacturing unit labor costs climbed almost 10 per cent relative to labor costs in the US and Germany, and about 20 per cent relative to Japanese labor costs (Department of Finance 1990). Owing to the growing social conflicts associated with the increasingly apparent flaws with the "hub-and-spoke" model surrounding continental rationalization, from 1992 to 1996, the government turned to its traditional competitive policy and debased the dollar.

Currency manipulation not only stood in stark contradiction to the ideological pillars of "competitive austerity" and the rationality and disciplinary effects of the markets, but it also revealed that continental rationalization was about breaking the hold of labor at the national level by effectively constructing a competitive economic environment, which in turn forced many to work harder and longer for less pay. Taken together, the political and ideological aspects of continental rationalization forced compliance by openly promoting powerful capitalists' strategies in making workers adhere to their demands. The latter has been backed by the threat of long-term unemployment and justified ideologically through the rationality of the globalized market. Given the growing contradictions between deeper economic integration and increased levels of competition, particularly in light of the ever-decreasing Canadian dollar, it is less clear whether the neoliberal paradigm will continue to be successful in Canada. The question which looms is how long the political and ideological pillars supporting continental rationalization can perpetuate this "privatized economic morality" in the face of deteriorating economic and political conditions.

Conclusion

In contrast with most accounts of neoliberal state intervention, which see the political sphere as a separate moment of the capital relation, I have argued that neoliberalism is an ever-changing political expression of class rule which mirrors the struggles occurring within the wider reorganization of the social relations of capitalist production. Set against the backdrop of the general crisis of capitalism, neoliberalism is comprised of highly contradictory political and ideological projects aimed at ensuring the continued expansion of capital accumulation, especially in light of the tensions involved in the broader dialectic between national and transnational restructuring, that is, the tensions between deeper economic integration and increased levels of competition (exploitation). Moreover, these new political forms of class domination are not determined by a

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particular instance, such as the market or the global economy; but shape, *and* are in turn shaped by, class struggles associated with economic restructuring.

By exploring the development of two broad neoliberal strategies in Canada, namely gradualism and continental rationalization, I have suggested that policy adoptions cannot simply be understood with reference to either politicians, or bureaucrats, or powerful capital fractions in whose interests the policy is said to be. This is so because this perspective eventually leads to political determinism, whose overestimation of the state is rooted in the inability to see that the inherent contradictions within the state emanate from the capital relation as opposed to warring fractions or political parties. Equally, the foregoing account has steered clear from the stance that explains changes in state intervention as stemming from the exigencies of economic globalization. This position ultimately leads to an "economistic reductionist" approach, which deflects attention from the role of the state in the overall restructuring activities. In contrast with these two analytical starting points, I have suggested that we neither begin nor end the analysis with the state, but rather locate the political sphere historically within the broader realm of the economic relations of exploitation. In this manner, the impetus for changes in state interventionism is not to be viewed simplistically as something driven by external globalized forces but instead as constantly developing moments which arise from historically determined and developing limitations of bourgeois class rule within the state, which, in turn, mirror the wider contradictions inherent in the capital relation.

In taking this analytical step, we move beyond the debates about whether the state has retained more or less policy autonomy in the face of globalization, and begin to ponder more interesting questions of why and how new forms of "compliance" have arisen, and more significantly, in whose interests these are being formulated and implemented. Likewise, bringing capitalism back into the investigation of state intervention allows for a deeper understanding of the nature surrounding the political and ideological dimensions of neoliberal policy vis-à-vis the intensification of exploiting labor. We avoid the error of explaining neoliberalism by way of its generic and surface appearances, such as, liberalization, privatization and deregulation. Therefore, the importance of an historical materialist analysis lies in the fact that it allows us to peel away the layers of contradictions involved in neoliberal policy formulations, and thus start to expose their basic impetus as arising from class-based choice and not the faceless rationality of the globalized market.

Notes

1 To illustrate, within the parameters of this pact, Canada held a trade deficit to the tune of over nine billion dollars during the 1973-79 period (Williams and Molot 1981).

2 On October 14, 1975 an Anti-Inflation Board was created to monitor wage and price increases in the economy. It was empowered to restrain increases in prices, profit margins, compensation, and dividends for firms with more than 500 employees, the

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federal, provincial, and municipal governments, and professionals. Rather than controlling prices directly, the program aimed to limit the rate of price increases indirectly by restraining wages and profit margins (Wolfe 1977: 72).

3 M1 is defined as narrow transaction money, i.e., basic money supply: currency, demand deposits, traveler's checks, and other checkable deposits. The Bank's decision to make particular use of M1 is based on two main characteristics of this aggregate. First, the fairly stable and systematic relationship that has been observed between upswings and downswings in the rate of growth of the dollar amount of total spending in the economy and in the growth rates of money holdings defined in this way. When total spending in the economy has accelerated, whether because of more rapid increases in the volume or prices of transactions, the public has typically sought to hold larger money balances to facilitate its payments and these actions have raised the rate of M1 growth. Second, M1 can be steered along a target path more readily than the larger aggregates. The steering mechanism used is the influence the Bank of Canada can exert on the level of short-term interest rates encourages holders of currency and demand deposits to economize on these non-interest-bearing balances thereby slowing M1 growth" (Bank of Canada Annual Report 1981: 29).

4 The real interest rates skyrocketed from 0.8 per cent in 1971-80 to 11.0 per cent in 1982 (Helleiner 1994: 175).

5 In October 1979, the Federal Reserve Bank introduced a *base control* whose aim was to influence "money growth indirectly through interest rates, [the US state] began its attempt to shape directly the growth of the [US] American money stock through control of bank reserves and bank credit. This "*cold bath*," as it was referred to by the officials of the Bank of Canada, was undoubtedly the most important moment of [US] American monetarism. With it, monetarism became the *de facto* guiding principle of [US] American economic management" (Drainville 1995: 8-9).

6 Seen historically, the tendency towards continental rationalization was already underway in the late 1960s when various industrial policies sought to overhaul Canadian branch-plant manufacturing so as to maintain Canada's established regional share within continental manufacturing. Williams suggests that this strategy was developed along two fronts. "First, tariff liberalization under the Auto Pact and the GATT was meant to lengthen Canadian production lines by gaining access to US American markets and so bring them closer to international standards of competitiveness. Second, dollar devaluation was meant to ease the transition between ISI tariff protectionism and GATT tariff liberalization and to provide a continuing rationale for investment in relatively low-wage Canadian manufacturing locales" (Williams 1994: 177).

7 For example, as a result of high US dollar, manufactured exports dropped from 26 to 18 per cent of output; manufacturing trade went from a surplus equal to 6 per cent of output in 1980 to a deficit equal to 14 per cent of output in 1985. During these years the American trade deficit went from $12 billion to $136 billion in 1982 dollars (Frieden 1996: 128).

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8 The proportion of total petroleum assets under foreign ownership and control was 77.7 per cent and 89.6 per cent respectively back in 1971, but these proportions had declined to 61.5 per cent and 63.8 per cent by 1979.

9 Helleiner argues the technological innovation has actually made the surveillance of capital flows more efficient. See Eric Helleiner. 1999. "Sovereignty, territoriality and the globalisation of finance" in *States and Sovereignty in the Global Economy*. David A. Smith *et al.* (eds.). pp. 139-157. London: Routledge.

10 This particular form of dependency is marked by the fact that the majority of US subsidiary firms operating in Canada have their exports strictly controlled by the parent (Williams 1994). As such, in comparison with other advanced industrialized countries, whose exports are constituted by between 50 to 70 per cent of finished products, Canada only manages to export 35 per cent in this category of manufactures (Molot and Williams 1981: 72-3).

11 On this, see D. Gordon (1988) "The Global Economy: New Edifice or Crumbling Foundations?" *New Left Review*, No. 168, pp. 24-64; P. Hirst and G. Thompson (1996) *Globalization in Question,* Oxford: Polity Press; P. Hirst (1997) "The Global Economy -- Myths and Realities" in *International Affairs* 73, 3, pp. 409-425; H. Radice (1999) "Taking Globalisation Seriously" in *Socialist Register.* L. Panitch and C. Leys (eds.), pp. 1-28. J. Zysman (1996) "The Myth of a *Global* Economy: Enduring National Foundations and Emerging Regional Realities" in *New Political Economy* 1 (2), pp. 157-184; W. Ruigrok and R. van Tulder (1995) *The Logic of International Restructuring*, London: Routledge.

12 Indeed, without exception, the GDP to debt ratios in Canada increased from 40 per cent in the 1983-84 period to 67.1 per cent in the 1992-93 (Kneebone 1996: 50).

13 The 1987 Budget Speech stated that "[i]n 1984-85, the deficit was a record high of $38.3 billion. The deficit is down to $34.4 billion in 1985-86 and $32.0 billion in 1986-87, and is projected to decline further to $29.3 billion in 1987-88. This will be the first consecutive three-year decline in the deficit in three decades" (Department of Finance 1987: 17).

14 For example, the Omnibus Trade bills (the 1974 Trade Act; the 1979 Trade Agreements Act; the 1984 Trade and Tariff Act and the 1988 Trade and Competitiveness Act). On this, see Jenkins 1992: 152-3; see also Clarkson 1985, chapter 14).

15 While the majority of the cut-backs of corporate income tax relative to personal income tax occurred in the 1980s, according to the Public Accounts of Canada, the revenue base of personal income tax in 1970-71 was 43 per cent, and by 1987-88 this grew to 46.3 per cent. In contrast, corporate income tax in 1970-71 accounted for 16.3 per cent of the revenue base of the federal government, and by 1987-88 this had decreased to 11.2 per cent (Department of Finance 1989: 134).

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