393

THE STATE, ORGANISED LABOUR, AND WAGE CONTROLS IN CANADA

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AND
WAGE CONTROLS IN CANADA

By

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ABSTRACT:

The focus of this thesis is the Liberal government's program of mandatory wage and price controls introduced on October 14, 1975. Beginning with a brief discussion of the marxist theory of the state, the thesis examines prior experiences with wage restraint programs, the evolution of post-war industrial relations, and the emergence of symptoms of economic crisis toward the end of the 1960's. Thereafter it considers the progress of state efforts to introduce wage/price restraint, the social forces which shaped the pattern of state intervention, the actual operations of the Anti-Inflation Board, and the character of organised labour's opposition to compulsory controls.

The thesis argues that state intervention into the sphere of wage bargaining is one concrete example of the deeper contradictions which lie at the basis of the state structure. With the end of the long boom of post-war expansion, the underlying tendencies toward a crisis of capital accumulation became manifest. The deteriorating effectiveness of established techniques of economic management, and the failure of the Liberal government to develop a coherent program of capitalist planning set the immediate context for the program of wage and price controls. The objective of controls

was to restrict the rate of wage increases, thereby easing the downward trend in profit levels and relaxing the fiscal crisis of the state.

The record of the Anti-Inflation Board revealed two general characteristics of the current economic and social crisis. First, the capitalist state is virtually powerless to exercise any influence over the long term pattern of inflation and slump. At the present stage of capitalism, attempts to plan economic development simply exacerbate the inherent anarchy of capitalist production. Second, the weakness of organised labour's opposition to controls indicates the urgent necessity for a restructuring of the economic and political organisation of the working class in order to defend the economic and social gains of the post-war period.

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TABLE OF CONTENTS:

LIST OF TABLES AND CHARTS

Page:

CHAPTER ONE: THE PROBLEM OF THE STATE

Some General Considerations

The proliferation of Marxist analysis and debate in recent years has uncovered a whole complex of theoretical and empirical questions which bear on the problem of elaborating and developing a systematic theory of the state. Leo Panitch has referred to the last ten years as a "decade of the theory of the state" during which time "Marxists have attempted to move beyond abstract formalism and a high level of generality that tended to characterize earlier work".[1] However from another point of view, much of this recent effort has been necessarily preliminary. The refinement and application of concepts to new or neglected areas must be accompanied by an opposite movement toward a recomposition of the Marxist theoretical framework which will be more totalising, more comprehensive, and hopefully simpler. The present need for this development is attested to by the fact that according to the perspective and focus of study, the image of the capitalist state appears skewed or exaggerated in one dimension or another. There remains the problem of developing a theory of the state which does not bend or distort the image of the state according to the particular angle of investigation from which it is approached. At the root of this problem is the enormous difficulty of analyzing the separation, articulation and unity of the economic and political spheres of capitalist society. To put this in the form of a question what is the relation between the organization of capitalist social relations, and their reproduction through capital accumulation, and the organization of the political instance?

The limited degree to which this problem has been overcome was illustrated in the Milliband/Poulantzas debate. The focus of this debate was the attempt to theoretically delineate and isolate the state as an object of study. Debate hinged on the mutually agreed upon problem of specifying the relative autonomy of the state, and the real merit of this exchange was the fact that it directed attention to the problem of identifying and defining the capitalist state form. But at the same time, in the polarisation between structuralist and instrumentalist perspectives, there is an exaggerated emphasis on one aspect of the state form, at the expense of rooting the conception of the state more firmly in the organization of class exploitation and the historical development of class antagonisms. In Poulantzas' case there is a singular emphasis on the structural determination of the class character of the state, while Milliband emphasises the privileged access of the bourgeoisie to state institutions. Espin-Anderson, Friedland and Wright point out the complimentary weaknesses of both approaches which are unable to analyse state activity in terms of the dynamic of class struggle; the interaction between the form of the state, "the outputs of state activity", and the mediating impact of class conflict. These writers offer an alternative perspective which "focuses on state structures as an object of class struggle".[2] They attempt to situate state activity in terms of the state's role in the maintenance of class rule, mediated by the opposition and resistance of the working class.

The attempt to analyse state organization and state functions in terms of the dynamic of class struggle has the advantage of lending greater precision and specificity to the conception of relative autonomy. This is the great strength of James O'Connors' approach which conceives of the content and the boundaries of state activity in terms of the continuous oscillation between contradictory functions. It analyses the state in terms of the fundamental systemic imperatives of capital accumulation and the constraints and restrictions which the necessity to mediate class conflict imposes on the state's capacity to accomplish its most important tasks.

However, the concepts of accumulation and legitimation are susceptible to vague definitions and loose application. What are the accumulation functions and what constitutes the mechanisms of legitimation? Vaguely defined, and mechanically applied, these concepts can be stretched to accommodate radically different and opposed explanations of state activity. To the extent that accumulation and legitimation are conceived as discreet and countervailing instances within the state, the structurally determined form and limits of the state fade into the background, and there is a tendency to revert to a 'pluralised' conception of the state which situates the state between and above the contending classes. Uncritical application of the concepts of accumulation and legitimation often diverts attention away from the difficult problem of analysing the deeper structures which set the agenda and define the boundaries of state activity. The conception of state accumulation functions can only be given precision through an analysis which links state activity to the historical development of crises of capitalist production. Similarly an adequate account of the legitimation functions of the state must situate the state between the fundamental constraints imposed by the organisation of capitalist production relations, and the continuous pressure to accommodate or circumvent mass popular pressure.

An inprecise and undeveloped definition of the concepts of accumulation and legitimation is one theoretical weakness of an article by David Wolfe entitled "State Economic Policy in Canada, 1968-1975".[3] Wolfe analyses the evolution of Canadian economic policy in terms of the contradictory pressure to sustain profit levels and maintain full employment. But because he transposes the concepts of accumulation and legitimation directly onto the established framework of economic and social policy, Wolfe implies that the evolution of economic policy is the product of a 'trade-off' between conflicting class interests. While this is clearly true in one respect, it ignores a more fundamental aspect of state economic policy. The framework of post-war Keynesian economic management fulfilled the basic task of regulating the credit cycle within the whole process of capitalist production and circulation. With the advent of economic crisis toward the end of the 1960's, established policy instruments could no longer achieve their primary objectives. As the contradiction between crisis and the existing accumulation functions of the state intensified, the 'Keynesian equilibruim' began to break up. The contradictions inherent in state economic management thus became exacerbated in the context of a crisis of capitalist production which was gradually forcing a re-structuring of the whole framework of economic policy.

The problem of clarifying the nature and extent of contradictory state functions has become increasingly important in the light of what now appears as the developing crisis of capital accumulation which began in the 1960's. The contradictions of state economic management have given rise to new policy priorities which have entailed new forms of state intervention, and with them a restructuring of the mechanisms of legitimation. The necessity to suppress, accommodate, and absorb working class opposition has mediated the prosecution of a policy orientation and encouraged a renewal of 'corporatist' initiatives. One thing which is clear in the broad sweep of this process is the fact that the crisis of capital accumulation is forcing not only the restructuring of capital, but with it, and as a necessary part of the process, a restructuring of state forms and functions. As Gamble and Walton have argued, the state itself has become a barrier to further accumulation.[4] It is in this context that there has occurred a shift in the mechanisms of legitimation, in order to re-establish the conditions of social stability necessary for renewed capital accumulation.

Actual developments emphasise the need to firmly situate the theory and analysis of the political instance in terms of its articulation with the structural limitations imposed by the economic instance. This is not simply a question of delineating the role of the state in the maintenance of the general conditions of capitalist production. Ultimately what is required is an integrated conception of the relation between the role of the state in the maintenance of the conditions of capital accumulation, and the extent to which this task determines the forms, sets the limits and establishes the mechanisms which structure the organisation of the 'economic' and 'political' instances of class domination and class struggle. In the long run, this will require a theory of the state which integrates the Marxist understanding of the process and the contradictions of capitalist production -- in other words a theory of the state which locates the specific autonomy of the state in terms of the interpenetration of the economic and political spheres of class society. Attempts in this direction have of course been made.

Erik Olin Wright has developed a methodological framework which distinguishes the different "patterns of determination" through which the class struggle shapes and is in turn shaped by the economic and state structures. In his article "Historical Transformations of Capitalist Crisis"[5] Wright sets out a general schema for understanding the relations between crisis, the reorganisation of capitalist production, and the development of the state. From a different perspective, a number of writers, including Holloway and Picciotto, attempt to analyse the form and development of the state in terms of the logic of the "capital relation".[6] They situate the development of the state as a necessary moment in the reproduction of capitalist social relations, the central feature of which is the organisation of class exploitation.

These and similar efforts are relevant to the problem of analysing the development and extension of new forms of state intervention. They attempt to trace the extremely complex connections between the tendencies toward a crisis of accumulation and the penetration of the state into new spheres of economic and social management. In their explanation of the form and limits of the state they also point to the constraints and contradictions which the state must negotiate in its efforts to 'manage' the crisis of capitalist production. In particular they point to the contradiction between the capitalist state's original role in establishing and maintaining the separation of the economic and political spheres, and its growing participation in the process of reorganising the immediate conditions necessary for further capital accumulation. In all of this they uncover the broader significance of the extension of the state into the sphere of wage bargaining. From its inception, the capitalist state, in the nature of its existence, structures the terrain of economic class relations. But with the rise and consolidation of the collective bargaining process, and the subsequent development of new forms of state structured labour/management relations, and the further entry of the state as direct participant at the bargaining table, there is an accompanying reorganisation of the institutional terrain of economic class relations. This is a re-drawing of the institutional boundaries between economic and political class struggle, with broad ramifications for the political forms and tasks of the capitalist state.

In order to explain why wage controls were introduced, why the program assumed its specific forms, and how wage controls affected the character of economic class conflict, it is necessary to situate controls in relation to the main features of the capitalist state. In particular there are three questions which deserve consideration. What is the nature of the capitalist state? What determines the development, content and the range and limits of the economic role of the capitalist state? What is the role of the capitalist state in regulating and structuring the terrain of the economic class struggle? The discussion which follows begins with a brief discussion of the main features of the state form and the capitalist state. This is followed by a discussion of the post-war state, in particular the consequences of demand management and planning initiatives, for the development of economic class relations.

The State Form

In Marx and Engels' view, the formation of the state originates in the development of the social division of labour and the consequent division of society into oppossed social classes. Engles summarises the historical formation of the state in the following terms; "Society gives rise to a certain number of common functions which it cannot dispense with. The persons appointed for this purpose form a new branch of the division of labour within society. This gives them particular interests, distinct too from those who empowered them; they make themselves independent of the latter, and the state is in being".[7] The extension of the social relations of labour grows over into class divisions as particular groups (branches of the division of labour) assert their particular interests over and against the interests of the community as a whole. The development of class divisions coincides with, and is expressed through the emergence of a permanent, centralised political authority with an institutional basis which is distinct from the organisation of society as a whole and which maintains its power through coercive means.

The state is the institutional complex, separated out from the organisation of society as a whole, through which the emerging class makes itself dominant and establishes its rule. The state organises the process of class expoitation (directly or indirectly) and sustains the rule of the dominant class. As Draper points out, "...from Marx's standpoint the state's task of class domination is not only basic, but its specific reason for existence."[8] The historical formation of the state, its actual form, and its institutional cohesion, are rooted in its primary function as an instrument of class domination. This is the defining characteristic of every state form.

However, in order to establish and perpetuate class rule, the state must maintain the physical and social cohesion of the society it rules. The state is the primary integrative agency of class-divided society. In the transition from stateless society the state inherits or absorbs administrative, governmental and religious tasks of societal integration hitherto carried out by the organisation(s) of society as a whole. These tasks include the exercise of coercive functions, the defence of territorial borders, the maintenance of internal peace, relief from natural disasters. as well as religious and ideological functions.[9] These are non-class tasks inasmuch as they are common to primitive and class divided society, necessary to the maintenance of society as a whole, and therefore the responsibility of "any organising authority in a society".[10] But in the accomplishment of these tasks by the state, the needs of society as a whole are fulfilled through the particular institutions, and stamped with the particular interests, of the dominant class. The non-class tasks of government and social integration are carried out in "inevitably class distorted ways, for class ends, with class consequences".[11] The historical development of class contradictions is first expressed in the development of the opposition between the state (the dominant class) and society as a whole (the class of immediate producers).[12]

Under the state, the tasks of societal integration assume a qualitatively new dimension. As relations of class exploitation develop, the state must bridge or mediate the contradiction of which it is itself an expression. It must organise, integrate and represent the unity of society in the interest of the dominant class. To this end the state carries out economic and political functions which regulate and organise the process of class exploitation, formalise relations between the classes, and in general guarantee the reproduction of existing relations of production. In all of this the state acts as the 'factor of cohesion of a social formation' which is divided between the dominant class of non-producers which appropriates social surplus, and the subordinate class of immediate producers.

The inherent contradiction and limitation of the state form lies in the fact that it is simultaneously the 'part and the whole' of class-divided society. Fundamentally the state is the instrument through which the dominant class unifies itself around the task of organising and sustaining class exploitation. In this aspect of its existence the state expresses the division of society into antagonistic classes. At the same time in order to accomplish its primary task, the state must organise the unity of class-divided society. It must continually impose itself as the factor of cohesion. In the accomplishment of this double task the state absorbs and expresses the contradictions of society as a whole. To borrow a term from Krader, the state externalises the relations of civil society. The form and functions of the state in a given mode of production can be understood in terms of its role of imposing a specific form or societal unity based on (and limited by) a specific form of class exploitation.

The Capitalist State

The form of the state is rooted in the "focal relation of class struggle, the relations of exploitation".[13] In pre-capitalist modes of production labour is unfree. Labour is bound (to the means of production and the dominant class) "by ties of tradition, by bonds of debt, by clientage, slavery and serfdom".[14] The maintenance of the relations of production and the appropriation of social surplus are organised, sanctioned and delegated through the state backed by its coercive powers. By contrast capitalist relations of production and the appropriation of social surplus are based on the "emancipation of private property from the community"[15] and its corollary, free labour power. The development of capitalist relations of production is accompanied by the destruction of pre-capitalist forms of economic interventionism and the separation of the state from the sphere of production.

The mechanism of capitalist exploitation is the double freedom of labour. The labourer is free to dispose of his/ her labour power for equivalence (wages) and is at the same time "short of everything necessary to the realisation of his labour power".[16] Separated from the means of production and therefore the means of subsistence, the labourer is dependant on employment in capitalist production where the extraction of surplus value occurs 'behind the backs' of the workers as part of the production process itself. With the development of private property and the separation of production from consumption there occurs the simultaneous development of a class of labour which is forced into capitalist production as a result of economic necessity. "The organisation of the capitalist process of production, once fully developed, breaks down all resistance. The constant generation of relative surplus population keeps the law of supply and demand of labour, and therefore wages, in a rut that corresponds to the wants of capital.. The dull compulsion of economic relations completes the subjection of labour to the capitalist. Direct force outside economic conditions, is of course still used, but only exceptionally".[17] In the capitalist mode of production economic coercion supplants pre-capitalist forms of extra-economic coercion as the dominant mode of class exploitation. This is the basis for the separation of the state from the immediate process of production and its establishment alongside and outside the relations of production.

The development of the relations of production determines the original separation of the state and its specific task in the maintenance and reproduction of capitalist social relations. As Holloway and Picciotto explain, generalised commodity production presupposes the mediation of production and consumption through the framework of exchange. "The capitalist state results from the separation of production and consumption".[18] The development of exchange relations is both the outcome and the precondition for the extension of capitalist relations of production. The state secures the basis of capitalist social relations by imposing the legal and political framework of exchange relations, establishing equality of exchange as the economic principle which mediates the circulation of commodities and relations between individuals (classes) engaged in exchange. The centralisation of this task and its forceful imposition through the agency of the state derives from the necessity to regulate the aspect of compulsion which underlies the separation of production and consumption; the necessity for individuals and classes to engage in exchange relations. The state is established as the political power which imposes the terms of exchange.

The framework of exchange relations is at once the basis for the development of capitalist production and the completion of labour's subordination to capital. In the period of capital's ascent the extension of exchange relations gives full freedom to the expansionary forces of capitalist production which through their own development constitute the new and dependant class of proletarians; "...the more rigorously equality of exchange can be enforced the more effectively will accumulation itself reproduce social relations, or so it appears".[19] Exchange relations are the central mediation of relations of exploitation between capital and labour. The legal and political framework of exchange imposes the surface appearance of equality of individuals (buyers and sellers of labour) as the mediating link in the renewed exploitation of labour in the sphere of production. Exchange thereby establishes the terrain and the limits of economic class conflict. Where the mechanism of dull economic compulsion effectively suppresses the development of class antagonisms, the coercive functions of the state are restricted to "ensuring that the possessors of the commodity labour power are in a position to take only its exchange-value to market".[20]*

The separation of the state through the enforcement of the unity of exchange relations establishes the political instance as a distinct form of capitalist class domination. Structurally rooted in relations of class exploitation, the state organises the strictly political unity of capitalist society on the basis (and within the limits) of its task of imposing the mediating framework of exchange relations. The principles and institutions of the capitalist state reflect and reinforce class relations as they appear in exchange. Thus the formal equality of individuals in exchange relations is established as the principle of political rule. This is both the form in which the state represents itself as the agency of the general will and the form through which it organises capitalist class rule.**

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*As Marx has explained the creation of 'free' wage labour historically involved the forcible separation of people from the land as well as their forced submission to wage labour. Again, once the 'dull compulsion' of capitalist economic relations takes over, the coercive character of class exploitation assumes the 'fantastic form' of formal equality between capital and labour. 21

**Poulantzas points out that it is a specific feature of capitalist political rule that "political class domination is constantly absent from its institutions". 22 As many others have emphasised it is a crucial feature of the bourgeois democratic state that the formal democracy of its institutions conceals the class character of state institutions.

Just as the legal and political forms which flow from the state's task of imposing the framework of exchange secure the subordination of the working class, they are a necessary condition for the organisation of the collective rule of capital. Since capital exists concretely as many capitals with competing interests, the organisation of capital as the 'competition of all against all' renders it particularly unsuited to the direct exercise of political power. The separation of the state from the immediate process of production and the relative autonomy of the state from the capitalist class, are necessary conditions for the establishment of political forms which mediate the contradiction between conflicting individual interests while organising capitalist class interests. Following Marx, Draper and Mandel emphasise that the original form of the bourgeois parliament corresponds to this task. "The 'classical' function of the bourgeois parliament in the epoch of competitive capitalism was to embody the common class interests in a form which gave each competing group of capitalists an equal chance to defend its sectional interests".[23] Of course the historical transformation of the class struggle, with the subsequent penetration of the bourgeois political arena by working class forces, altered this function. The development of the institutions of the state has recorded a permanent contradiction in the state's representation of itself as the neutral arbitrator of class conflict within the limits of its primary task of organising capitalist class rule. The development of this contradiction has been reflected in the continuous reorganisation (and centralisation) of state institutions which organise the political subordination of the working class within a configuration of institutions which concentrate and express the political will of the ruling class.[24]

From this brief outline, it is possible to identify some general features of the capitalist state. The separation of the state and its specific form originates in the nature of capitalist exploitation. The state exists 'alongside and outside' production as the necessary instance in the reproduction of capitalist social relations. As Holloway and Picciotto have put it, the 'capital relation' is distinguished by the necessary separation of the economic and political instances which <u>together</u> accomplish the reproduction of capitalist social relations. The action of many individual capitalists who extract surplus-value and accumulate capital, presupposes (in the first place) exchange relations. Exchange mediates relations of exploitation between labour and capital, and competition between capitalists. The 'economic' subordination of the working class thus presupposes and necessitates its 'political' subordination. As Altvater explains; "...capital cannot itself produce through the actions of many capitals the inherent social nature of its existence; it requires at its base a special institution which is not subject to its limitations as capital..."[25] The state is the organisation of capital as a class, outside the sphere of production, in order to guarantee the reproduction of the relations of production.

Some Tendencies of State Development

The last section attempted to show how the capitalist state is determined and bound by the contradictions of class exploitation -- the necessity to maintain the unity of relations of class exploitation through the mediating framework of exchange. The historical formation of the capitalist state cleared away pre-capitalist forms of economic dependence and completed the separation of the state from the organisation of production. This laid the basis for the development of capitalist social relations directly through the 'natural laws' of capital accumulation. Of course, to different degrees depending on concrete historical circumstances, the persistence of pre-capitalist social relations, the absence of sufficient numbers of free wage labourers, or the weakness of national economic and social infrastructure, all presented obstacles to expanding capitalism. In these circumstances a special burden was imposed on capital to act as a class to establish the general conditions of production which were prerequisite to its own future development. But leaving aside all the specific conditions of uneven development which shaped the actual development of the state in specific countries, we can say that where the expansionary forces of capitalism were strong in the period of competitive capitalism, the liberal capitalist state was characteristically 'weak'. The restricted role of the liberal state reflected both the strength of expanding capitalism and the undeveloped state of class antagonisms.

But, as Marx explained, the process of capital accumulation tends to progressively erode the conditions for its further development. As capitalism expands, it runs up against the limits of its technical composition, its existing degree of concentration and centralisation, and the development of working class resistance. These impediments to further accumulation are fundamentally an expression of the contradictions between the increasingly social character of production, and the private appropriation of surplus. The tendency toward crises of capital accumulation are the "result of the contradiction between the goal of capital accumulation (the valorisation of capital and appropriation of surplus-value) and the means by which this goal is pursued (the growth of social productivity and the development of the social character of production)."[26]

The primary mechanism for overcoming existing obstacles to capital accumulation is the process of crisis itself. "The classic pattern of business cycles, devaluations of capital, elimination of unproductive capitals and increasing concentration and centralisation of capital provides the social mechanisms for periodically restructuring capital in ways which restore conditions favourable to accumulation".[27] Through successive crises capital overcomes the immediate barriers to accumulation and temporarily pushes back the boundaries to further expansion. As Wright has pointed out, at each stage of its development the contradictions of capitalist accumulation are manifested in terms of specific constraints to the expansion of production. So for instance, he notes that in the period of competitive capitalism the main constraint to expansion was a relatively low rate of exploitation, and a tendency toward a falling rate of profit. In the monopoly stage of capitalism, a high rate of exploitation reinforced by monopoly control of market prices resulted in a tendency towards a crisis of over-production (under-consumption).[28]

It is hardly necessary to emphasise that the relationship between the crisis-ridden expansion of production and the development of the state is an extremely complicated one. But without attempting to explain this development, it is possible to identify a general tendency in the development of the state. In the stage of monopoly capitalism, capital is increasingly unable to re-establish the conditions for its continued existence solely through the mechanism of crisis and economic reorganisation. To put this in other words, capital is increasingly unable to reproduce its existence through the process of accumulation alone. The restructuring of production (which is also a reorganisation of the capitalist class) is necessarily accompanied by a political restructuring. Individual capitalists and the capitalist class as a whole rely increasingly on the mechanisms and expansion of the resources of the state as the means of re-establishing the social and technical conditions for the future expansion of production.

Bounded by its original structural separation from the sphere of production, the sphere of state activity expands in order to contain and overcome the contradictions inherent in the accumulation process. The state must increasingly attempt to manage the anarchy of capitalist production in order to lay the basis for its expansion. To take an obvious example, in its imperialist phase capital expands beyond national borders. This is necessarily accompanied by the growth of military expenditure as the state attempts to extend the range of its influence and render larger portions of the world susceptible to the penetration of its 'national' capital. Especially in the post-WWII period, the sheer scale of expansion requires that the state underwrite and guarantee the returns of huge investments which are vital to capitalist production as a whole.[29] At the same time, capitalist expansion generates the growth and increased objective power of the working class. Arrighi eloquently describes the process of the growing subordination of individual workers and the contradictory development of the objective collective power of the working class.[30] These developments place new demands on the state's role in integrating and accommodating the working class.

The development of the state in its various facets is above all the expression and the consequence of the contradiction between the social character of production, and the private appropriation of surplus. From this point of view, the growth of state activities expresses the struggle of capitalism to overcome its inherent limits. But the state can do no more than extend these limits. As Arrighi says; "state intervention cannot eliminate the tendency to crisis, unless one believes that the bourgeois state can set itself the task of eliminating the bourgeoisie".[31] There occurs a 'hypertrophy' of the state as the range of its activities expand to negotiate ever-deepending social contradictions. The contradictions rooted in class exploitation and domination are thus rearticulated into the political sphere.

The Post-War State

The tendency toward a crisis of over-production which had developed at the beginning of the 20th century erupted in the 1930's, a period of stagnation of production and soaring rates of unemployment. Not only had capitalist expansion come to a halt, but the polarisation of working class opposition posed a real danger to the stability of the whole system. These developments precipitated a major reorientation of state economic and social policies. The 'Keynesian revolution' marked a transformation of economic thinking which guided the development of a policy framework based on increased participation of the state in the regulation and management of the capitalist economy as a whole. "Perhaps the most important feature of Keynes' ideas for the later development of economics was his new and positive conception of the state. Keynes was the first capitalist economist to analyse the importance and potential of the growing state sector within capitalism".[32] Ernest Mandel has noted the correspondence between the pressing economic and social claims of the crisis and the development of an increasing advocacy of the necessity for state economic intervention. The capitalist crisis precipitated a "shift in bourgeois political economy from an apologetic function to a pragmatic one. Instead of justifying capitalism in theory, it was now a matter of saving it in practice... Keynes and his followers were pursuing a practical purpose; organising state intervention in economic life in order to bring about a weakening in the violenece of the crisis".[33]

The thrust of the Keynesian policy was the encouragement of a policy of "'price rises' and an expansion of production through credit-financed expenditure and deficit financing".[34] Keynes argued that this was the only means to stimulate production and at the same time lower unemployment to acceptable levels. He argued that the scale of loan expenditure required to effect a general rise in demand compelled the state to assume this task. Initiated toward the end of the 1930's, these policies were introduced on a widespread basis in the post-war period.

A series of developments during and immediately following the war laid the basis for the post-war boom. The massive physical destruction of capital which occurred in Europe and Japan, the build-up of demand which resulted from the diversion of capital to war production, a wave of technological innovation, and (in several countries) the massive defeat of the workers' movements, combined to generate a 'long wave' of capitalist expansion. As Shonfield has pointed out, it was against this highly favourable background that governments developed the techniques of economic management. Throughout the advanced capitalist countries, governments were successful in their efforts to regulate the growth of aggregate demand, thereby achieving the prosperity and stability which was expressed in the configuration of rapid growth, full employment, and relatively predictable price rises. Underpinned by powerful expansionary forces, demand management amd accompanying planning measures focused on the objectives of regulating, and over the long run eliminating, the business cycle.

The evolution of techniques of economic planning and management assumed widely different forms and rhythms of development in different capitalist countries. But as Shonfield has pointed out, there was a climate of economic amd social development common to all advanced capitalist countries. He summarised the general tendencies in the evolution of the economic role of the state. The general objective underlying state intervention was to facilitate and stabilise the pattern of growth which it was hoped would accommodate the policy objectives of full employment and rising real incomes. Accompanying the "vastly increased influence of the public authorities on the management of the economy", Shonfield notes that a "characteristic of the post-war period is the steady advance of social welfare measures over wide areas of the Western World". In addition there developed a host of measures to control and regulate competition, and introduce an element of coordinated planning into the pattern and rhythm of investment. Planning initiatives addressed problems of encouraging the development and rapid implementation of technological innovation. A complimentary aspect of this effort were major attempts to resolve the problems of labour allocation and training in order to overcome the bottlenecks arising from shortages of labour, shortages of skilled labour, and a lack of labour mobility.[35]

The introduction of demand management policies established the basis for increased state intervention in the organisation and reproduction of all factors of production. As governments sought ways to encourage post-war reconstruction and fine tune the effects of stimulation and restraint, they developed policies and institutional mechanisms which would enhance attempts to regulate post-war expansion. It was both a cause and a consequence of increased state intervention that capitalist governments adopted new measures to accommodate and integrate the working class. The demonstrated capacity of demand management to stimulate production had transformed issues of unemployment and social security into directly political questions.

The extent to which post-war policy has been guided exclusively by the objectives of full employment and social security is frequently exaggerated by the proponents of the 'welfare state'. At the same time however, as Ian Gough has shown in his analysis of the development of social expenditure in Britain, working class political pressure powerfully inflected the orientation of state policy. "A 'postwar settlement' between capital and labour was essential to lay the basis ... for the unprecedented boom of the next two decades".[36] While this characterization may be more appropriate to Britain where the working class emerged from the war politically and economically strong, it applied in varying degrees to most capitalist countries. Among others, Creighton notes that the pressure of popular consciousness in Canada during the war forced major political parties to trumpet their support for social measures.[37]

Beyond their immediate function of defusing working class political pressure, the social objectives of demand management, especially full employment policies, were the vital prerequisite to more systematic attempts to integrate the working class. As the post-war experience in Canada has clearly demonstrated, full employment is one of the crucial pre-conditions to organised labour's willingness to participate in planning initiatives such as state wage policies. Thus working class demands imposed boundaries on the nature and extent of state intervention in two ways. On the one hand the pressure of working class demands affected the distribution of state expenditure and encouraged the more liberal use of stimulative measures to raise employment levels. On the other hand, such policies set the framework and the external limits of state efforts to integrate the working class (in particular the apparatus of the union movement) into broader initiatives aimed at regulating manpower, wages and prices. The development of this dialectic in the Canadian context is considered further in the following chapters.

Demand management and accompanying policies marked a qualitative extension of the state's role in regulating economic class relations. It is striking that the contradictions which had historically been resolved primarily through the mechanisms of crisis, competition and the more or less uninstitutionalised conduct of the class struggle, now fell increasingly within the purview of the political decisions and institutional mediation of the state. Again, these developments represented an expansion of the range of state activities in order to push back the barriers to capital accumulation, weaken the tendency toward crisis, and moderate the social contradictions of advanced capitalism. As Fine and Harris have pointed out, it is a characteristic of the whole post-war period that the state assumed increasing responsibility for the management of crisis. The primary mechanism for overcoming existing barriers to capital accumulation remains the process of crisis itself which forces the restructuring of capital in order to lay the basis for further expansion. However, in its present phase "capital does not completely carry out this restructuring by itself ... it also requires the intervention of the state, and this intervention takes several forms. The state can never abolish crises, but it can through its distributional policies affect the conditions of realisation, to precipitate or postpone them, in an attempt to moderate their effects".[38] From this point of view the evolution of state economic and social policy in the post-war period can be viewed in terms of the development of successive measures to weaken and moderate the tendency toward crisis. These efforts culminated in the 1970's in a crisis of demand management policies, which themselves increasingly required a reorganisation of the framework of economic policy.

The Contradictions of Economic Management

Following the war "Keynesian solutions to under-consumption at least initially dovetailed with the political requirements of legitimation".[39] The success of economic management was visible in rising productivity and rapid growth coupled with rising real wages and full employment. In the period of expansion economic policies reinforced a high degree of political and economic integration of the working class. In the economic sphere this was apparent in the decline of industrial conflict and the new and expanded institutional stability of collective bargaining.

But by the middle of the 1960's the advanced capitalist countries suffered reversals on several fronts. Increasingly the contradictory pressures of demand management strained and eroded the effectiveness of economic and social policies. The root of this crisis was the growing failure of ever greater stimulation and credit expansion to sustain capitalist expansion. As Mandel has argued the wave of post-war expansion had subsided toward the end of the 1960's. The convergence of a host of inflationary pressures, coupled with the increased synchronisation of capitalist recessions threatened capitalist economies with 'stagflation'.[40] At the same time unemployment rose. Policy makers faced the virtual collapse of the projected 'trade-off' between growth, price rise, and unemployment. Compounding deep economic contradictions, the increased bargaining power of wage earners, even in the context of rising unemployment, intensified the development of a pattern of wage rises which threatened profits at particular points in the business cycle. The upward shift of inflation, which eroded the effectiveness of demand management, was compounded by the development of a profits squeeze which further intensified inflationary pressure. Gamble and Walton summarise the contradictions which emerged in this period; "The crisis of the mixed economy appears once more in contradictory form -- wages are too high and demand is too low."[41]

The development of broad symptoms of crisis, and the aggravation of wage struggles, seriously eroded the impact of demand management. Governments struggled to erect policies which would restore the effectiveness of demand management and meet changing objectives. In Canada, wage controls became a major policy tool in the effort to restore a measure of economic stability and profitability.

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1. Leo Panitch, Trade Unions and the Capitalist State", New Left Review No. 125, (January, February 1981), p. 21.

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3. David Wolfe, "The State and Economic Policy in Canada, 1968-1975", in Leo Panitch (ed), The Canadian State: Political Economy and Political Power, Toronto: 1977.

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5. Erik Olin Wright, Class, Crisis and the State, London: 1973

6. John Holloway and Saul Picciotto, "Capital, Crisis and the State", Capital and Class, (Summer 1977).

7. Marx quoted in Hal Draper, Marx's Theory of Revolution, N.Y.: 1965, p. 247. Emphasis in original.

8. Draper, p. 259. Emphasis in original.

9. Lawrence Krader, The Formation of the State, Assen, Netherlands: 1968, p. 28.

10. Draper, p. 258.

11. Draper, p. 260.

12. Krader, p. 28.

13. Holloway and Picciotto, p. 77.

14. Lawrence Krader, The Dialectic of Civil Society, Assen, Netherlands: 1968, p. 90.

15. Marx quoted in Krader, The Dialectic of Civil Society, p.70

16. Marx quoted in Holloway and Picciotto, p. 87.

17. Karl Marx, Capital Volume I, New York: 1967, p. 737.

18. Holloway and Picciotto, p. 81.

19. Holloway and Picciotto, p. 88.

20.Heidi Gerstenburger, quoted in Holloway and Picciotto, p. 80.

21.Holloway and Picciotto, p. 81.

22.Ernest Mandel, Late Capitalism, London: 1975, pp. 480-481. 481.

23.Nicos Poulantzas, Political Power and Social Classes, London: 1975, p. 131.

24.Draper, Chapter 14.

25.Alma Altvater, "Some Problems of State Intervention", The State and Capital No. 6, (1979), p. 41.

26.Giovanni Arrighi, "Towards a Theory of Capitalist Crisis", New Left Review, No. 110, (1978), p. 3.

27.Wright, p. 173.

28.Wright, pp. 173-177.

29.Mandel, pp. 484-485.

30.Arrighi, p. 7.

31.Arrighi, p. 8.

32.Gamble and Walton, p. 42.

33.Ernest Mandel, Marxist Economic Theory, London: 1968, p.719.

34.David Yaffe and Paul Bullock, "Inflation, the Crisis and the Post-War Boom", Revolutionary Communist, No. 2, (1977), p. 27.

35.Andrew Shonfield, Modern Capitalism, London: 1968, pp. 66-67.

36.Ian Gough, "State Expenditure and Capital, New Left Review No. 98, (July, August 1976), p. 102.

37.Donald Creighton, The Forked Road 1939-1957, Toronto: pp. 77-81.

38.Ben Fine and Lawrence Harris, "Debate on State Expenditure", New Left Review No. 98, (July, August 1976), p. 102.

39.Wright, p. 175.

40.Ernest Mandel, The Second Slump, London: 1977, Chapter One.

41.Gamble and Walton, p. 189.

CHAPTER TWO: THE POST-WAR PERIOD

Post-war economic and social policies in Canada reflected the general tendency of the advanced capitalist countries to adopt Keynesian techniques. But unlike many European countries, the tools of economic management were applied with less scope and for more restricted purposes in the immediate post-war period. By comparison with these countries, Canadian policy was distinguished by a lower level of commitment to full employmaht and social security. In more general terms the Canadian state was slower to develop various planning measures. Indicative planning, attempts to formulate growth targets, manpower training and allocation, all received scant attention in the two decades following the war.

The reasons for this specific pattern of post-war state intervention must ultimately be sought in a comprehensive account of the history of Canadian capitalism, and the internal contradictions of the Canadian state. Here it is possible to make some general observations. First, the tasks of post-war reconstruction were relatively limited. By comparison with Europe and Japan no sectors of the economy had undergone massive physical destruction. State intervention was thus limited to facilitating the shift to peace-time production.

Second, Canada's insertion into the continental and world system posed particular problems with respect to economic management. The high degree of penetration by foreign capital, heavy reliance on export trade,[1] and the regional fragmentation of the Canadian economy, all presented acute obstacles to national planning. In varying degrees similar obstacles limit all capitalist countries' efforts to plan their 'national' economies. But these problems were perhaps more severe in Canada. Third, the economic fragmentation was articulated in the political fragmentation of the Canadian state. Apart from fundamental national divisions within Canada, the division of powers between federal and provincial governments was (and is) an obstacle to the centralisation of economic management. For instance, it was a problem in the development of post-war fiscal policy that the central authority of the federal government in matters of taxation had first to be established.[2] And finally, the relative weakness of nationally and regionally divided working class opposition reduced the degree of political pressure for more comprehensive measures to guarantee full employment and social security.

The absence of systematic positive programs of economic management and regulation contributed to the specific pattern of post-war economic development. Similar to the United States and distinct from other advanced capitalist countries, post-war economic expansion was marked by more profound cyclical swings, higher levels of unemployment, and a relatively slower rate of productivity increases, which became especially apparent in the second decade following the war. The narrower scope of economic management and social policies, the more restricted and slower development of planning initiatives, and the uneven pattern of growth, set the context for the development of post-war industrial conflict.

The Weakness of Union Integration

From different perspectives a number of writers have emphasised the absence or weakness of state-organised mechanisms of union integration in post-war Canada. In his analysis of the prospects and the need to develop 'consensual policies' in the 1980's, Malles highlights the differences of post-war experience in Canada and Europe. In Europe "the imperatives of post-war reconstruction produced unifying forces which led to attempts to develop policies and forge 'national interest' partnerships among the economic groups."[3] By contrast Malles notes that no such pressure existed in Canada, with the result that Canada had no comparable experience with consensual policies in the post-war period. From another angle, Leo Panitch has pointed out that the relatively limited scope of legitimation measures contained in post-war economic and social policy, provided a poor basis for the development of institutional mechanisms of trade union integration. Comparing the object and consequences of the Beveridge report in Britain with the impact of similar measures in Canada Panitch observed that "Beveridge's main concern was ensuring that the provision of social benefits and the guarantee of full employment would lead to wage moderation and political moderation on the part of the working class and particularly the adoption of a 'reasonable' accommodative stance by union leaders who would discipline their members in the context of the more 'humane' society".[4] By contrast social welfare measures and legal collective bargaining did not seem to have the same consequences in Canada. Unlike Britain and other European countries Canada did not "evolve an institutional mechanism for the integration of unions in state policy." Panitch points out that "rather than union integration, the Canadian state relied on a higher level of unemployment to ensure wage moderation."[5]

Both these writers correctly situate the absence of positive mechanisms of union integration and consensus in the restricted scope of state intervention. Taken together their comments highlight what could be described as the dialectic of union integration. On the one hand the imperatives of economic planning and management were insufficient to prompt a broad attempt to integrate the union apparatus into the apparatus of state planning. On the other hand the political and economic pressure of the working class was not sufficiently strong to force the introduction of social policies and centralised institutional mechanisms as a means of regulating wage bargaining and industrial conflict. It was precisely the convergence of pressures on both fronts which stimulated various attempts to create 'consensual bodies' toward the end of the 1960's.

The absence of central integrative meachanisms point to an opposite characteristic of the industrial relations system in Canada. Far from 'integrative' the impact of state intervention can best be described as 'dis-integrative'. There evolved during and following the war a system of industrial relations which was repressive, fragmented, and unstable. By the end of the 1960's the structure of post-war industrial relations was itself a major obstacle to tentative efforts to involve organised labour in 'consensus' bodies and proposals for voluntary restraint. The following sections examine the development of wartime and post-war industrial relations and early steps toward planning and wage restraint in the 1960's.

Wartime Wage Controls and Collective Bargaining

Canada's first experience with compulsory controls was under the exceptional circumstances of a national war mobilisation. In the face of powerful demand pressures, aggravated by labour and basic commodity shortages, the federal government introduced comprehensive wage and price controls. The overall success of wage controls was the result of a high degree of centralisation of economic management, and the integration of specific measures within a "balanced program.... expressed in a group of related and integrated programmes".[6] A succession of Orders-in Council, beginning in December 1940, imposed increasingly rigid ceilings on wage rises and extremely narrow comparability principles. These were accompanied by manpower policies, and a program of price controls which held prices almost stable for the duration of the war.

While it is difficult to assess the precise impact of wage controls independant from other developments, two general effects are fairly clear. First, the program sharply restricted changes in the wage structure. Apart from the cost-of-living bonuses which slightly favoured lower wage earners, comparability principles were extremely narrow, limiting wage adjustments to "comparable occupations in comparable localities". Following P.C. 9348, introduced in December 1943, the cost-of-living bonus was abandoned and the new prinicple for wage adjustments was "gross injustice or inequality".[7] Chernick concludes from his survey of National Labour Board decisions that "traditional occupational, industrial and geographical wage structures were to be interfered with as little as possible".[8] The modest narrowing of wage differentials between skilled and unskilled workers which did occur during the war can probably be attributed to the growth of union organisation and a high degree of militancy among industrial workers.[9] It is reasonable to conclude that the overall effect of controls was to limit and block a narrowing of wage differentials between different sectors of the work force.

Second, controls clearly restrained the overall rise of real wages. Wages rose faster than the price index from 1939. But the rise of real wages which would otherwise have been dramatic following the depressed wage levels of the 1930's, proceeded modestly throughout the war. One indicator of the impact of controls can be seen in the pattern of labour's share of the national income which fell to around 52% during the war. The single exception to this was 1943, the year of the strike peak.

Table One: Wages, Salaries and Supplementary Income as a Percentage of National Income[10]

Year	%
1937	65.5
1938	62.9
1939	61.4
1940	58.5
1941	57.2
1942	52.9
1943	54.7
1944	52.1
1945	52.1
1946	57.4
1947	61.8

Wage controls, and manpower policies, were part of the broader framework of wartime labour policies. The stated purpose of wartime labour policies was the elimination of industrial conflict. Their actual function was to provide a vehicle for implementing the program of wage controls. Labour policies and wage controls reinforced and complimented one another. The governments' chosen instrument for the pursuit of industrial peace was the Industrial Disputes Investigation Act which was extended to all essesntial war industries. In addition to the existing compulsory conciliation and 'cooling off' provisions of the IDIA, state intervention into disputes was further strengthened with measures prividing for an Industrial Disputes Inquiry Commission to precede conciliation. The government also passed P.C. 2685 which endorsed the right of workers to join unions and bargain collectively. However this support for collective bargaining went no further than advocating voluntary recognition of unions.[10] In practice government intervention into industrial disputes functioned as an outright obstacle to union recognition and collective bargining. By 1943, when the strike wave peaked, a majority of strikes were over the issue of recognition.[12] Since compulsory conciliation preceded a large number of these strikes, this provides evidence of the government's practical opposition to collective bargaining. Where employers refused to recognise unions, the government proved its continued willingness to ignore or circumvent union structures. As a result of the strike wave of 1942/1943 which was "concentrated in industries that were most crucial to the war effort"[13], the government finally passed P.C. 1004 which conceded compulsory collective bargaining in January 1944. But it is instructive that just two months earlier it had introduced P.C. 9384, which in addition to further narrowing the criteria for wage increases, contained provisions for "severe penalties for strikes in violation of wartime regulations".[14] This exchange of Order-In-Council highlights the interdependence of wage controls and wartime labour policies. What the government conceded in one sphere, it withdrew from another.

It is not surprising that the singularly repressive character of economic regulations and labour policies polarised labour opposition. By 1941 the Trades and Labour Congress (TLC) had expressed its opposition to the wage levels provided for in the guidelines, and the application of the Cost-of-Living principle.[15] Organised labour repeatedly called for the introduction of compulsory collective bargaining and demanded greater representation on "Government Boards and Commissions". To take one example, the 1943 Congress of the TCL made the following assessment of wartime economic and social management: "Asserting that these Boards are at present not representative of the people of Canada but are controlled by big business and financial interests, the resolution stated that labour's repeated requests for full representation on all Boards and Crown Companies set up by the government had not been complied with and charged that certain Cabinet ministers were ignoring the Prime Ministers's promise to give labour representation..."[16] This pattern -- request and and petitions from labour met with reluctance and opposition from government -- appears to have been a permanent feature of relations been organised labour and the state during the war.*

The combined impact of economic controls and labour policy was to place heavy restrictions on labour's freedom of action. As MacDowell points out, the state was willing to place every manner of compulsory restraint on workers while "it continued to maintain that its opposition to 'compulsion' precluded introduction of compulsory bargaining legislation".[18] Jamieson makes a similar point. He argues that the use of the outmoded framework of the IDIA and the reactionary thinking which accompanied it, gave state economic management policies a decidedly one-sided character. Comparing wartime developments in Canada with those in the United States

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*Granatstein provides an insight into the source of labour's continual exclusion from the participation in wartime economic management. " ... King told his ministers on January 27, labour had to to be represented on the War Supply Board, the government's major purchasing agent.... The problem as C.D. Howe, the minister for the War Supply Board put it, was that the Chairman of the Board, Wallace Campbell, the President of Ford of Canada, would resign if labour was given representation.[17]

he concluded: " ... the government of Canada, as compared with the United States during 1939-1943, provided for less protection of unions and the status of collective bargining as an accepted procedure in labour relations, at the same time it imposed more restrictions on workers' right to strike or even quit their jobs, and more limits on wage increases than in the United States. Governments and employers in Canada seemed to be in effect attempting to 'have their cake and eat it too'".[19] Pentland speaks more bluntly. He observes that the managers of the economy viewed collective bargaining as an obstacle to the goals of economic planning.[20] In Pentland's opinion the arbitrary and inequitable interpretation of the principle of wage controls reflected a systematic refusal to accommodates labour's demands.*

The repressive character of wartime policies is particularly significant in light of the fact that the war was a decisive period in the growth of union organisation. In Canada in 1940 only 16.3% of the non-agricultural workforce was unionised. Riding the wave of wartime expansion,

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*Pentland also asserts that the application of controls imposed the "grossest inequities" including " ... refusal to reconsider the very partial application of cost-of-living bonuses until the end of the war; transport manipulation of the cost-of-living index; a parochial concern of 'local' wage rates ... an exaggerated tenderness for the 'ability to pay' of employers." 21

union membership more than doubled between 1940 and 1944. In 1946 the percentage of unionised workers had increased to 27.9%. These developments occurred in the teeth of employer resistance heavily reinforced by state policy. Whereas the decisive growth of union organisation in the United States had occurred between 1935 and 1945 following the passage of the Wagner Act, parallel developments occured in Canada in the context of wage and manpower controls, where compulsory collective bargaining was not yet firmly established. Jamieson and MacDowell have both emphasised the effects of state restrictions in shaping the character of industrial conflict. Institutional obstacles to wage gains and union recognition resulted in a high frequency of wildcat and legal strikes, since these were the only effective means to conduct negotiations. This had two related consequences. First it established a pattern of a high degree of industrial militancy and strike mobilisation. The passage of P.C. 1003 provided a concrete demonstration to workers that "labour unrest was the one aspect of labour relations capable of arousing the attention of the Canadian government and public".[22] This method of imposing collective bargaining by direct strike action was repeated immediately following the war. Jamieson cites unions' desire to entrench and extend collective bargaining as one of the key causes of the post-war strike wave.[23] Second, the restrictive state measures posed a general obstacle to the consolidation and stabilisation of the union movement.

Although the centralisation of state regulation during the war encouraged a concentration of labour opposition[24], its impact on the pattern of collective bargaining was the reverse. For instance the steel strike which developed in Nova Scotia and Ontario at the beginning of 1943, was part of the broad drive to consolidate the Steelworkers.[25] The strike faced both the restrictions of wage controls and the refusal of employers and government to recognise the union. Even after passage of P.C. 1003 the battle to impose industry-wide bargaining remained to be fought. Until they were rescinded in 1946 the wage guidelines, with their principles of local comparability, posed a direct obstacle to the development of industry-wide and national bargaining. The post-war strike wave was animated by the attempt of "numerous unions to establish collective bargaining on in industry-wide scale".[26] This provides retrospective evidence of the role of wartime measures in suppressing the consolidation of the union movement and the concentration of collective bargaining.

By the middle years of the war, the change of political climate had precipitated a reorientation of the Liberal party toward formulating post-war employment and welfare policies "as the price Liberalism was willing to pay in order to prevent socialism".[27] It was in this context that labour finally extracted state committment to compulsory collective bargaining. But notwithstanding this counter-tendency, the dominant pattern of wartime industrial relations was the repressive and 'negative' character of state policies. It is significant that, in a period marked by a high degree of social fluidity, the centralisation of state intervention and the transformation of the union movement arising from a drive toward industrial organisation, initiatives to stabilise industrial relations were limited to the grudging concession of compulsory collective bargaining. As Panitch has emphasised, it was characteristic of state policy throughout the war that no systematic attempt was made to integrate organised labour (and the working class as a whole) into the process of state policy and economic management.[28] This set the tone for the development of post-war industrial relations.

Some Aspects of Post-War Industrial Relations

Whitaker summarises the characteristic disposition of the Liberal state at the end of the war in the following terms: "Minimal legitimation was always the maximum program".[29] This stance was evident in the sphere of industrial relations. The passage of the Industrial Relations and Disputes Investigation Act in 1948 was the basis for the entrenchment of collective bargaining and the institutionalisation of industrial conflict. At the same time the IRDIA imposed a framework of industrial relations which "significantly circumscribed the mechanisms of free collective bargaining, up to and including the right to strike".[30] Pentland has argued that the reorganisation of labour legislation in 1948 served the same restrictive function as the Taft Hartley Act in the United States. In Canada the objective of limiting union growth into new areas and hampering the effectiveness of existing unions was accomplished through the reversion of labour jurisdiction to the provinces. The provincial governments, which were more sensitive to anti-union pressure from local and more backward sectors of capital, and eager to provide favourable conditions to external investors, also became the main agents of more overt restrictions aimed at smothering the bargaining power amd limiting the growth of unions.[31]

Pentland identifies two consequences of post-war labour legislation. First there occurred a segmentation of industrial relations which limited the growth of collective bargaining to mining and transportation sectors and the most advanced manufacturing industries. By the middle of the 1950's the limits of union growth in these areas had been reached, and union organisation levelled off at around one third of the work force and one half of the workers employed in manufacturing, where it remained until 1970. Until the middle years of the 1960's union organisation was generally excluded from trade, service amd public administration, and remained disproportionally low in manufacturing industries such as leather goods, textiles, food and beverages, and chemicals. During the long expansion of the 1960's this pattern of segmentation was reversed somewhat as the public sector, and to a lesser extent, hitherto excluded manufacturing industries underwent a more rapid rate of union organisation.[32]

Second, the structure of collective bargaining in the post-war period remained extremely decentralised and uneven. Between 1953 and 1965 there were virtually no changes in the fragmented pattern of collective bargaining which was dominated by single union-single establishment bargaining and single union-multi-establishment bargaining. By 1965 the number of workers covered by agreements involving either employer or union groups had actually declined. The most widespread form of centralised bargaining, between one union and more than one establishment of the same company, accounted for only 18.5% of all agreements and 22.5% of all workers covered by a collective agreement. Within this category, corporation-wide bargaining was limited to a few industries, notably railways, automobiles, agricultural implements, meatpacking, electric power, communications and broadcasting.[33] Apart from these exceptions and those instances where large union locals bargained within a single establishment, neither large single or multi-union groups and associations played an important part in the overall process of collective bargaining.

While the period following the war was one of union growth and the stabilisation of collective bargaining, these developments were limited and shaped by the narrow framework of labour legislation. State intervention not only limited the scope of centralised collective bargaining, it also acted to limit the freedom of collective bargaining where it was in force. As Huxley points out, the IDRIA retained a number of provisions from the original IDIA which facilitated extensive state intervention and mediation of disputes. Following Woods, Huxley identifies four types of disputes: " ... recognition disputes, interest disputes, rights disputes, and jurisdictional disputes".[34] He points out that with the exception of interests disputes where a collective agreement is no longer in force, "the state had substituted adjudicating machinery". Huxley concludes that the thrust of state intervention has been to restrict the freedom of collective bargaining and limit the freedom and frequency of strikes.

State intervention reflected and reinforced employer attitudes. Toward the end of the 1950's the perceived complacency and greater degree of cooperation which had characterised the decade gave way to a toughening of management attitudes, "best exemplified by the highly publicised techniques of "Boulwareism", named after its organiser, Lamuel J. Bouleware, Vice President in charge of Industrial Relations for General Electric in the United

States. It was tantamount to a unilateral rejection by management of collective bargaining with unions".[35] As the Canadian economy slipped into a deep recession and unemployment rose to over 7.0% in 1958, employers readily reverted to the "simple and familiar depression techniques of labour management". Employers launched a wage restraint campaign which was accompanied by a "rather violent build-up of anti-union sentiment".[36] Coinciding with the employer offensive there occurred a wave of restrictive labour legislation imposed at the provincial level. In Newfoundland a major strike of loggers, occassioned by the company's refusal to bargain, prompted Premier Joey Smallwood to pass legislation decertifying the International Woodworkers of America (IWA). This move, assisted by police attacks, broke the union and the strike. In B.C., the government responded to a strike wave which included miners, loggers, fishermen and government employees by imposing Bill 43 which provided for injunctions against picketers.[37]

To briefly summarise, the combined effect of employer and state action was to block the extension, centralisation, and deepening of collective bargaining. This had sveral consequences. Apart from limiting the overall growth of unions, it restricted the freedom to strike. As the final years of the 1950's demonstrated, employer and state hostility involved the unions in a constant struggle for survival.[38] All of these things contributed to the relatively weak and decentralised character of the union movement as a whole. At the same time state policy and employers resistance produced a contradictory effect. As Huxley suggests, the restricted freedom to strike did not necessarily reduce strikes, but simply lengthened their duration. The institutional limitations on bargaining and the freedom to strike appeared to be one source for the increased incidence of non-legal strikes which drew attention in the 1960's.[39] The limited effectiveness of institutional means reinforced the reliance of unions on their immediate bargaining power, and placed a premium on economic militancy. As a result a comparatively high level of strike activity was a persistent feature of industrial relations throughout the post- war period.

Shifting Ground in the 1960's

The recession from 1958 to 1962 prompted a flurry of planning initiatives in the early 1960's. These included the establishment of the National Productivity Council in October 1960, followed by the formation of the Economic Council of Canada in August 1963. In the two years immediately prior to the formation of the ECC, planning and productivity councils were established in most provinces. The focus of these initiatives was Canada's poor performance in growth and productivity increases. The First Annual Review of the ECC observed that "over the past decade ... the Canadian economy appears to have experienced one of the slowest rates of growth of any advanced country in the world both in terms of growth and average living standards".[40] In fact, in the decade from 1955 to 1965 out of 14 OECD countries Canada ranked last in productivity (2.0% annually), and tenth in terms of real GNP (2.4% annually).[41]

Against this background, the Economic Council emphasised the need for expansionary policies, and a policy framework which would meet the objectives of rapid growth accompanied by cost and price stability. To this end the Council identified a number of objectives. Primary among these was the need for "rapid productivity increases ... promoted by strong public and private efforts to enhance the efficiency in Canadian industry". It was argued that productivity increases would underpin efforts to maintain price stability and improve the international competitive performance of industry. The Council also emphasised the need for greater flexibility and mobility of resources, including the need for labour market policies which would improve the training and mobility of labour. Finally the Council identified the necessity for "reasonable restraint in both wage demands and business pricing policies, with the clear recognition that the failure to maintain reasonable price stability will frustrate the attainment of of basic objectives, while compromising the capacity to achieve a steadily advancing living standard for Canadian people ... "[42]

The formation of the ECC and its attempt to outline a policy strategy for more rapid and regulated growth was an expression of the general move toward broader planning initiatives. At several points policy objectives pointed to the need for organised labour's participation. The problems of improved productivity, labour mobility and training, and price/cost stability, all converged on the problem of promoting 'economic consensus' and labour/management cooperation. These were among the specific objectives behind the formation of the National Productivity Council and the ECC, which both included labour representation. Along the same lines, the ECC convened a "National Conference on Labour/ Management Relations" in the fall of 1964.

All of these initiatives were to some degree aimed at widening the scope of labour's participation in the policy process. On the surface they appeared to be a counter-tendency to the past exclusion of labour from the sphere of policy formation. However, as the evolution of the ECC proved, what emerged from these initial efforts to establish planning, and within the framework of planning an economic consensus, "was but the palest facsimile of corporatist planning structures in Western Europe".[43] Despite its broad mandate, the ECC was not integrated into the actual policy making process of government, and even its advisory role was somewhat attenuated. As an attempt to integrate organised labour, it was a failure. The formation of the ECC and its early initiatives indicated an absence of the general pre-conditions necessary for the development of concensus planning structures.

Richard Phidd has pointed out that the failure of the Econonic Council to find the 'right mechanism' for participation in the planning process reflected a series of obstacles and institutional constraints which blocked the development of planning bodies in Canada. Included among these are the federal system of government, "a parliamentary cabinet system of government based principally on departmental policy making; a highly heterogenous industrial structure; and a particular attitudinal relationship between business, trade unions and government ... "[44] Elsewhere Phidd emphasises that a specific feature of Canadian economic management has been "a much more exclusive reliance on departmental liaison mechanisms. In contrast to British and French liaison systems with industry, the Canadian systems are much more strictly departmental ... It can be said that these liaison committees were generally established to meet the needs of senior business officials who were concerned with the problems of adequate communication with government. While these micro-level systems serve particular needs of business and as such are problem-orientated, they are not supported by any formal legislative structure".[45] The Economic Council and the attempt to develop consensus planning bodies fell outside these primary and well-established mechanisms of policy formation.

The failure of initial planning attempts derived from their limited scope and authority. This reflected the continued unwillingness of the state to make any serious effort to accommodate organised lanour. Moreover, as the response to organised labour revealed, the existing system of industrial relations provided no firm basis for such initiatives. Labour was both unwilling and unable to wholeheartedly support these initiatives. Here it is useful to brdefly summarise labour's response since it reveals the outline of labour's future refusal to participate in voluntary wage restraint.

In principle labour leaders welcomed planning initiatives. On the occassion of the formation of the Economic Council, John Crispo pointed out that labour had long supported more extensive and systematic application of the tools of economic management. But he also pointed out that labour leaders' acceptance of the goals of national planning and the willing participation of organised labour was unlikely unless labour received "some assurance of a quid pro quo on the part of other interest groups in society".[46] Crispo pointed to the experience of the National Productivity Council; the government's refusal to accept labour's advice on the selection of representatives and the narrow business-oriented goals of the Council. He referred to William Dodge who summarised labour leaders' general complaint. "Only when labour has some assurance that government, management and labour can and are prepared to work together towards social and economic goals can we (labour leaders) seriously undertake the necessary educational program to promote the acceptance of productivity goals".[47] This theme was reiterated elsewhere. In a policy paper on the subject of national planning, the United Steelworkers declared that full employment must be the starting point for labour support of economic planning. The paper points to the crucial relationship between the tenor of collective bargaining and labour's willingness and capacity to participate in planning initiatives. "In this regard labour has a right to insist at this stage that public policy be re-shaped so as to recognise labour's responsibility and to encourage the most rapid possible growth of mature collective bargaining. Trade unions cannot be expected to play a fully constructive role in society so long as a major part of their resources and energies are absorbed in the struggle for survival".[48]

These points were supported by H.D. Wood. Speaking at the Economic Council's "National Conference on Labour Management Relations" Wood pointed out that a favourable 'external environment' was the pre-condition to develop cooperative attitudes on the part of workers. "Since we need especially to get cooperation at the rank and file level, it is important that there should be a continuing full employment objective in that cooperation will not be interpreted as a threat to job security". He notes that unemployment and job dislocation have placed "a great strain on the bargaining process". These circumstances undermined efforts to develop and institutionalise labour/management cooperation, which were the necessary basis for the development of joint consultation and planning at the regional and national levels.[49]

The reply to Wood's address by the labour representative at the same conference is instructive. Jean Marchand, then President of the CNTU, criticised superficial forms of cooperation. He pointed out that only the complete reorganisation and centralisation of the labour movement, the centralisation of employers associations, and an expanded sphere of authority for the unions could establish the basis for the integration of labour into cooperative bodies.[50] In his remarks, Marchand highlighted the contradictions inherent in 'consensus' initiatives on the part of management and the state. The existing organisation of industrial relations, the restricted scope and tenuous stability of collective bargaining, and the consequent weakness of trade union organisation, particularly at the central levels, militated against any effort to institutionally integrate organised labour into centrally coordinated planning schemes.

Conclusion

Canadian capitalism, assisted by the reorganisation of state economic management, established the basis for post-war expansion. In doing so, it had accomplished a stabilisation of class relations which roughly corresponded to the 'class settlement' which had occurred in other advanced capitalist countries. But the pattern of these developments was distinguished by a number of specific features. Although wartime economic management had clearly demonstrated the capacity of Canadian capitalism and the state to tightly coordinate economic development, the positive performance of the post-war economy as well as a number of immediate structural obstacles which had reasserted themselves in the post-war period, had retarded the development of more concerted and positive forms of state intervention. As Phidd has pointed out, economic management proceeded to a considerable degree through less centrally coordinated and more informal mechanisms, presumably adjusted to the needs of sectional and regional capitalist interests. With respect to the evolution of the legitimating mechanisms designed to institutionally accommodate the working class, the pattern of state and capitalist response was consistent. Compared to the parallel efforts in Britain and many European countries, the disposition of state intervention was singularly reactionary. The institutional stabilisation of industrial conflict had produced a configuration of industrial relations marked by limited growth and fragmentation of collective bargaining, and a consequent weakness of labour's central bodies. This is considered further in the following chapters. But here it should be emphasised that the general pattern of state intervention acted to undermine later attempts to incorporate labour into voluntary restraint measures. The entrenched resistance of employers and the institutional constraints imposed by state intervention acted to encourage the pattern of economic militancy which became characterised as a 'crisis' of industrial relations toward the end of the 1960's.

This was the general context in which economic contradictions became aggravated in the 1960's as employers and the state struggled to suppress the bargaining power of workers.

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CHAPTER THREE: ECONOMIC/CLASS CONTRADICTIONS

During the long expansion of the 1960's, the Canadian economy registered a "succession of large annual increases in gross national product".[1] In the decade from 1960 to 1970 "Canada's total output rose by an average of 5.2% comparing favourably with most other advanced capitalist countries".[2] Again in the early 1970's the annual increase in real output was almost as great as the peak years of the 1960's averaging around 6.0% from 1971 to 1973. During this phase of upswing the boom in basic commodity prices, and later the maintenance of oil prices below the world level, encouraged a rate of growth which was among the highest in the OECD.

In the middle years of the 1960's policy advisors expressed great confidence in the capacities of demand management to resolve the dual problems of inflation and unemployment' "It is known that the principal remedy for both extreme conditions is the operation of fiscal and monetary policy to restrain or stimulate the growth of total demand as the case may be, and bring it back into a proper relationship with the growth of potential output".[3] It was understood that carefully managed demand would establish the capitalist economy on a growth path which corresponded to its "real potential output", and thereby sustain high levels of employment and modest, predictable price rises. Underpinned by the powerful expansion of the 1960's, the strong policy commitment to rapid growth and full employment found expression in the rapid growth of state expenditure and expansionary monetary policies.

In the mid-1960's, the effective regulation of growth, inflation and employment levels appeared to be well within the grasp of demand management, assisted by the 'natural forces' of capital accumulation. But by the end of the 1960's the Keynesian 'trade-off' had suffered a serious reversal. The forces of capitalist expansion weakened and it proved increasingly difficult to sustain growth, despite massive stimulative measures. The inverse corelation between inflation and unemployment which had been hypothesised in the Phillips Curve, all but collapsed toward the end of the decade. The inflationary spiral which began in earnest during the middle years of the decade accelerated sharply in the early 1970's. A deepening crisis of capital accumulation, an intensified distributional struggle, and the growing crisis of demand management all erupted in the generalised recession of 1974-1975. By contrast with the boom conditions a decade earlier, the middle years of the 1970's witnessed an unparalleled slump. In Canada, from the first quarter of 1974 to the third quarter of 1975, industrial production fell by 6.9%.[5] Reflecting the general pattern in the advanced capitalist countries, inflation continued at double-digit levels and the rate of unemployment rose sharply. The progressive deterioration of the growth, employment, inflation 'trade-off' in Canada is illustrated in Table Two below.

Table Two: Economic Indicators, 1960-1975 (percentages)[4]
(1971 Dollares)

	Change in G.N.E	G.N.E Implicit Price Index	Annual Changes in C.P.I	Unemployment Rates
1960	2.9	1.2	1.2	7.0
1961	2.8	0.5	0.9	7.1
1962	6.8	1.4	1.2	5.9
1963	5.2	1.9	1.8	5.5
1964	6.7	2.5	1.8	4.7
1965	6.7	3.2	2.4	3.9
1966	6.9	4.4	3.7	3.6
1967	3.3	3.9	3.6	4.1
1968	5.8	3.3	4.0	4.8
1969	5.3	4.4	4.6	4.7
1970	2.5	4.7	3.3	5.9
1971	5.7	3.2	2.9	6.4
1972	6.0	4.9	4.8	6.3
1973	6.9	8.4	7.6	5.6
1974	2.8	13.8	10.8	5.4
1975	0.2	9.7	10.8	7.1

Since the end of the 1960's, the symptoms of crisis -- inflation, industrial conflict, and slump -- have stimulated numerous and varied attempts to explain and correct the failings of the capitalist system. Gamble and Walton have pointed out that the development of the actual crisis has been accompanied by a parallel crisis of bourgeois economics.[6] Similarly, among Marxists these is considerable disagreement on the sources, manifestations and dimensions of the capitalist crisis. Debate over the theory of crisis is furious, and a host of basic questions remain unresolved. But leaving aside the complexities of this debate, a number of Marxist analyses have attempted to situate the crisis of capital accumulation in the 1970's in the context of the historical developments of the capitalist mode of production. Among others Arrighi, Wright and Mandel have argued that the crisis which developed toward the end of the 1960's marked the end of the post-war boom and a transition (through the mechanisms of crisis) to another phase of capitalist development.[7] Perhaps the most suggestive and comprehensive of these explanations is Ernest Mandel's <u>Late Capitalism</u>.

Mandel argues that the basis of the post-war boom was a technological revolution (based on electronics), coupled with a convergence of favourable social and political conditions following the war; notably the broad defeat and/or political reintegration of the working class in the advanced capitalist countries. The technological transformation of production, first initiated in specific sectors (and regions) increased the productiveness of capital and lowered the <u>value</u> of goods produced. Lower costs of production meant that super-profits or technological profits accrued to those sectors of capital which were on the leading edge of technical innovation. The boost in the rate of profit during and followng the war was the basis for rapid expansion and the continuous extension of the "third technological revolution". But the accelerated rate of capital accumulation itself hastened the tendency toward its opposite, overproduction and stagnation. Once the major technological innovations and the accompanying rise in the organic composition of capital had become generalised, the competitive margin enjoyed by the hitherto relatively more advanced sectors of production began to evaporate. International competition intensified and there developed pressures on the rate of profit and in some cases an actual fall in profit levels.[8]

In Mandel's opinion the long expansion of the 1960's marked the crest of the long wave of post-war expansion (1940/45-1966). During this phase of capitalist development the cyclical movement of capital accumulation -- accelerating accumulation in the upswings followed by tendencies to over-production and a deceleration of accumulation -- was marked by a strong undertone of expansion. In the post-war period, upswings were rapid and sustained, while downturns were relatively mild. By contrast the current phase of capitalist development is dominated by a strong underlying tendency toward stagnation. It is distinguished by shorter periods of upswing and longer periods of downturn, lower overall rates of growth, new investments and profits. This view, advanced during the strong upswing of the early 1970's, has since gained confirm-ation as a result of the generalised recession and the hesitant and uneven recovery which followed. It is further confirmed in OECD's McCraken Report, a major investigation of the crisis of the 1970's which projects an extended period of slow rates of growth, investment and productivity advances.[9]

As the extended industrial cycle (technological revolution) of the post-war period drew to a close, the symptoms of stagnation and over-accumulation became more pronounced. The over-accumulation of capital means that "a portion of accumulated capital can only be invested at an inadequate rate of profit and increasingly only at a diminishing rate of interest ... there is never 'absolutely' too much capital, but there is too much available to attain the expected social average rate of profit".[10] These are the conditions of crisis which, particularly during phases of downturn, force capital to restructure. Over the medium and long-term, the reorganisation of production on the basis of new sources of energy (nuclear power) and new techniques of production (industrial robots, numerically controlled machines, process computers) will boost the rate of profit, absorb capital, and provide the conditions for a new long wave of expansion. In the short-term and particularly during sharp cyclical downturns, such as 1974-1975, an erosion of the rate of profit forces capitalists to attempt to raise the rate of exploitation. This is necessary both in order to defend the existing rate of profit, and to create an expanded investment fund to accomplish the restructuring of the process of production. By one means or another the restructuring of production and the restoration of a rate of profit adequate to guarantee continued accumulation must be carried out 'on the backs of the working class'.

Briefly summarised, this was the general context in which there developed an inflationary spiral, and an intensification of the distributional struggle. The long upswing of the 1960's, the climax of the whole post-war expansion, set the context for powerful wage pressures, and a 'wage explosion' which occurred in many capitalist countries. Wage demands compounded the underlying tendencies towards crisis. As Capital was entering a phase of unstable expansion and growing tendencies towards slump, the bargaining power of the working class threatened profit levels. As generalised pressure on profits developed, wage demands and increasingly the <u>existing</u> levels of real wages posed an obstacle to capital accumulation. By various means -- individual employer intransigence, unbridled price increases, and special state measures -- Capital stepped-up the struggle to undercut wage-bargaining power, erode wage gains, and intensify exploitation.

Before considering the pattern and dimensions of the distributional struggle which developed in Canada between 1965 and 1975, it is necessary to consider the general context of inflationary expansion in which it occurred. The growth of state expenditure and the rapid rate of economic growth which it fueled, established a favourable bargaining climate for organised (and organising) workers. But as fiscal and monetary policies proved increasingly unable to sustain rapid growth, they were both the immediate source and the mechanism of the inflationary spiral. Inflationary pressures fueled the intensification of the distributional struggle. And finally, as there developed a growing contradiction or <u>dislocation</u> between the existing mix of fiscal and monetary policies, and the increasingly urgent necessities of crisis management, changing fiscal and monetary measures exacerbated the distributional struggle which they attempted to regulate.

The Crisis of Demand Management: The Context of Wage Struggles

The massive extension of the economic role of the state in the 1960's and 1970's, reflected a ripening of the contradictions inherent in Keynesian demand management. O'Connor has summarised the basic contradictions of state fiscal policy in the following terms; "the socialisation of costs and the private appropriation of profits creates a fiscal crisis or a 'structural gap'".[11] In other words, as the necessity to socialise the various costs of capital accumulation grows, the sources of revenue do not grow as fast. Although state expenditure is a pre-condition to continued accumulation, Capital resists footing the bill. On the one hand, the growth of unproductive state expenditure maintains demand and underwrites the process of accumulation. On the other hand, it constitutes a deduction from the existing rate of profit, which individual capitals and Capital as a whole, resist. As the gap between the sources of revenue and the dimensions of public expenditure expands, the fiscal crisis finds expression in the rising rate of inflation. This is true in a double sense. Where the state spends more than it takes in, fiscal policy generates 'demand-pull' inflation. At the same time, as a deduction from the existing rate of profit, rising state expenditure encourages price or 'profit-push' inflation, as capitalists further boost prices in order to defend the rate of profit. Where the underlying forces of expansion are strong, the fiscal crisis is subdued. State spending accelerates the rate of accumulation, which expands the tax base and maintains the rate of profit. But as expansion weakens the structural gap widens. Slower growth and pressure on profits generates further pressure to expand state expenditure. But Capital is unwilling and unable to cover the costs.

O'Connor also points out the contradictory class demands which intensify the pressure to expand state expenditure. The fiscal crisis, which is fundamentally an expression of the crisis of capital accumulation, is at the same time a crisis of the legitimation and accumulation functions of state expenditure. Since capital accumulation continuously erodes the physical and social basis of its existence, it creates expanding social expenses. State efforts to meet these costs further compound the fiscal crisis. Ian Gough adds to O'Connor's analysis a strong emphasis on the role of working class power in forcing the growth and determining the disposition of state expenditure. The fundamental aspect of working class power is the political pressure to maintain full employment through stimulative measures. Structural/political pressures further force the rapid rise of state expenditure. A lower rate of productivity improvement in the state sector, the "absence of competitive pressure to reduce state costs", and the expansion of the (young and old) dependant population, all combine to raise the costs of state services faster than the overall rate of growth.[12] Popular pressures, as well as the bargaining power of state workers, reinforce the structural 'drift'. And as Wright points out, once social services are established, state efforts to restrict their growth or cut-back face the risk of widespread popular opposition. As policy makers attempt to ease the fiscal crisis and restructure fiscal measures to maintain capital accumulation, the existing disposition of state expenditure poses some serious political obstacles.

The rapid growth of state expenditure in Canada was the product of these contradictory pressures. Particularly in the last half of the 1960's, public expenditure sustained the expansion which began in 1961-1962. Rapid growth throughout the decade created expanded needs for educational and social service facilities. As the Economic Council of Canada repeatedly pointed out training and manpower facilities were seriously inadequate to the requirements of the Canadian labour market.[13] Moreover, the work force expanded at an average rate of 3.4% annually in the 1960's and as fast in the early 1970's.[14] This was the fastest rate of increase in the advanced capitalist countries. Coupled with the memory of high unemployment towards the end of the 1950's, this created strong political pressure for stimulative measures. As a result, after 1965 there occurred a steep almost unbroken rise in state expenditure. The most rapid increases occurred in the categories of education, welfare and health spending.[15]

In the 1960's "the growth of unproductive state expenditure tended to expand faster than the surplus absorbing requirements of the system".[16] In Canada state expenditure rose from 29.4% to 40.9% if the G.N.P. in the period from 1962 to 1975. This reflected the general tendency in the advanced capitalist countries, although compared to most countries the rate of increase was much more rapid during the last half of the 1960's. "In the seven year span from 1964 to 1970, the government share of G.N.P. increased by more than a percentage point every year".[17] The growth of state expenditure was the source and the reflection of a number of economic problems. In 1977 the OECD observed; "Over the past ten years public expenditure (including transfers) expressed as a percentage of G.N.P. has been rising 0.4 percentage points a year in the OECD. Most countries which significantly exceeded this average ran into trouble."[18] Trouble took two related forms; "Beyond some threshold an over-rapid increase in public expenditure can so pre-empt resources from other uses including investment, that it will have adverse effects on economic growth and concomitantly ... this competition for resources can be a source of inflationary pressure".[19] Measured against the OECD's 'speed limit' of 0.4%, state expenditure in Canada was clearly the cause of strong demand-pull inflation. Moreover it fueled the development of a wage/price spiral which gathered considerable momentum on its own. The largely unsuccessful attempt to wring inflation out of the economy by means of restrictive measures in 1969-1970 indicated the extent to which the inflationary spiral was out of control by the end of the decade.

Accelerated inflation also reflected the accompanying 'adverse effects' of rising state expenditure. Despite maintaining extremely high levels of demand, fiscal policy showed signs that it was unable to sustain growth. After peaking near 95% in 1966 the rate of capacity utilisation in manufacturing fell substantially over the following five years, to just over 80% in 1970.[20] After 1965 the international competitiveness of Canadian manufacturing began to deteriorate.[21] The causes of this poorer economic performance were frequently explained by the rise of relative unit costs which resulted from strong wage pressures. But their roots lay in the structural weakness of the Canadian economy, compounded by an intensification of international competition. Between 1965 and 1970 the annual rate of productivity increase in Canada was 2.4%, the lowest among 14 advanced capitalist countries. Although this figure lumps together the state sector and private sector, as well as advanced and backward sectors of industry, it nevertheless gives some indication of the underlying problem of sagging rates of investment and capacity expansion. This basic symptom of over-production became much more pronounced in the middle years of the 1970's.

In the wake of the 1974-1975 recession it was widely acknowledged that a restructuring of state expenditure was necessary to raise profits and (hopefully) boost the rate of investment. In 1976 the Economic Council declared " ... proportionately more of Canada's resources will have to be directed toward investment if the country is effectively to enhance its competitive position."[22] This basic contradiction had already become evident by the end of the 1960's. The scale of unproductive state expenditure was both the source of inflationary pressure and a diversion of surplus from productive investment. Fiscal policies were caught in a contradiction; demand was too high and profits and rates of investment too low. The attempt to overcome this contradiction guided the hand of the policy makers of the 1970's.

It has already been argued that the redirection of fiscal measures posed structural as well as political problems. At the Conference Board's 1971 Economic Forum, the Deputy Treasurer and Deputy Minister of Economics for Ontario, H.I. MacDonald pointed out the constraints on demand management. "It has become an axiom that governments should move flexibly on both the revenue and expenditure sides to smooth out cyclical fluctuations; but in practice, this flexibility, particularly in the federal state, is severely constrained by the problems of accurate timing, rigidities in expenditure commitments, and the long lead-times to get new projects underway".[23] MacDonald emphasised that the lack of control over the pattern and size of state expenditure was compounded by political obstacles; "I think we must recognise the political unwillingness to move in a manner that would appear unpopular at a given time".[24] Wolfe puts the point more clearly. To reduce government expenditure "by reducing the committment to the package of social services legislation which has come to be associated with the welfare state would exacerbate the legitimation problems which government faces".[25] It should be added that despite their too-rapid rate of increase, social expenditure and transfer payments continued to fulfill important accumulation functions within the lexicon of demand-management policies.

The solution to the contradictions of fiscal policy was sought in a more rapid shift in the burden of taxation to wages and salaries, and away from corporations. This shift was pronounced in the decade before 1975. In 1965 direct personal taxes made up 26.4% of total government revenues. By 1975 this figure had risen to 38.5%. Over the same period the share of corporation taxes fell from 13.1% to 10.7%. As a percentage of income, direct personal taxes rose sharply from 10.8% in 1965 to 18.5% in 1975. Over the same period, the percentage of corporation income tax fluctuated, showing some signs of downward trend in the early 1970's. This accelerated shift in the income tax burden is frequently explained in terms of the 'inflationary bias' of the taxation system; inflationary rises in incomes boost wage and salary earners into higher income brackets. But as Wolfe has convincingly argued the real source of this rapid shift was a conscious decision on the part of the Liberal government to establish conditions favourable to foreign and domestic capital. The extremely stimulative 'full employment' budgets of the early 1970's contained massive incentives to corporate investment and profit levels.[26]

Business oriented fiscal policies were reinforced by relaxed monetary policies. The extremely rapid expansion of the money supply reflected the growing reliance of capital on credit-finance expansion. "Corporations have financed ... growth by shifting away from equity financing towards debt, and from long term debt to short-term debt. These trends in financing produce financial structures which make additional financing difficult".[27] The other side of this inflationary coin is necessarily an intensification of the attempt to maintain corporate liquidity through corporate and consumer credit-fueled price rises. In Canada, between 1960 and 1969 the (broadly defined) money supply expanded at an annual rate of 9%. Following a period of monetary restraint in 1969 and 1970, the money supply increased at average annual rates between 15% and 18% from 1971 through 1975. As a result recovery in the early 1970's was accompanied by a sharp acceleration in the rate of inflation.

Apart from the growing inability to sustain balanced non-inflationary growth, among the most contradictory effects of state fiscal and monetary policies, was their role in strengthening the bargaining power of wage earners and stimulating a pattern of increasingly explosive wage struggles. In this regard there were three general developments which in varying degrees were the result of state fiscal and monetary polcies.

First of all the extremely rapid gowth in the 1970's and early 1970's was accompanied by a similar growth of union organisation. Union membership doubled from 1960 to 1975, when organised workers numbered 2,875,000 representing 36.8% of the non-agricultural work force. Almost all of this growth occurred after 1965, when the expansion peaked and state expenditure rose dramatically. While rapid union growth occurred in most sectors, the expansion of state employment encouraged a particularly rapid expansion of union organisation among state workers. To take the most visible example, membership in the Canadian Union of Public Employees increased from 84,8000 in 1965 to 198,872 in 1975.[28] A similar, though somewhat less dramatic pattern of union growth occurred among federal and provincial employees. Together these developments represented a massive increase in the bargaining power of organised workers.

Second, the pattern of rapid growth and expanding state expenditure considerably strengthened the bargaining position of organised and organising workers. In Canada the level of unemployment remained relatively high throughout the 1960's and early 1970's. But as a host of investigations pointed out, the rapid expansion, compounded by the regional character of the Canadian economy, resulted in 'bottlenecks', imperfections and rigidities in the structure of the labour market. As a result shortages of labour in regions and sectors of the economy occurred side by side with relatively high aggregate levels of unemployment. As events in the 1970's indicated, strong wage pressure was not incompatible with levels of unemployment as high as 6% or 7%. Moreover the expansion of welfare and unemployment insurance, intended to relax political pressure to expand employment more rapidly undoubtedly weakened the effects of the reserve army in maintaining downward pressure on wages.

Third, the rising rate of inflation acted as a permanent goad to workers to mobilise their economic power in order to recoup the inflationary erosion of their living standards. Along with other developments, accelerating inflation helped to precipitate a 'crisis' of the already fragile and unstable system of industrial relations. It reinforced Canadian (and Quebec) workers traditional reliance on the power of the strike as the main tool of collective bargaining. And as two industrial relations analysts lamented at the time " ... once having tasted the fruits of their militancy, union members may find it irresistable to display their militancy again".[29] Attempts to shift the burden of state expenditure onto the backs of wage and salary earners had a similar effect. As a battery of studies have concluded, attempts to reduce wages through increased taxes are unsuccessful as workers become sensitive to the 'tax illusion'. " ... in a highly unionised labour market, such as in Canada or in the United States, unions may attempt to recoup any loss in net wages caused by tax increases".[30] Over the long run, the attempt to resolve the fiscal crisis through indirect tax exploitation, reinforces wage demands and militancy.

The broad changes in the economic and social context of wage struggles, which accompanies the inflationary expansion, converged in the development of a new pattern of wage pressures. The increased intensity and changing rythms of wage pressures compounded both the tendencies toward a crisis of accumulation and state policy efforts to maintain conditions favourable to capital accumulation. The changing pattern of wage pressures and their impact in the light of other developments is considered in the following sections.

The Changing Pattern of Wage Pressures

Cy Gonick has summarised the widely observed cyclical movement of profits, wages and productivity, which accompanies the movement of the business cycle. In the phase of upswing, profits rise faster than wages. With expanding capacity productivity advances rapidly and labour unit costs fall. But at the peak of the cycle "labour costs begin to advance on prices and finally overtake them. With labour more fully employed, wage demands increase. Meanwhile plant capacity being more fully utilised, it is difficult to increase output. Labour productivity rising slowly causes labour costs to increase and ultimately profits begin their descent".[31] Recession allows firms to liquidate their inventory, swells the ranks of the unemployed and in general re-establishes the conditions for a new phase of expansion. The movement of profits and wages then, reflects and is shaped by the cycle of economic growth.

Following the rythms of the business cycle in the 1960's and 1970's the movement of profits and wages followed this pattern of an inverse and cyclical relationship. During the early years of the expansion in the 1960's profits advanced rapidly over wages. Unit labour costs (relative to the U.S.) fell sharply and unit profits rose just as sharply. The wage catch-up which began after 1965 reversed this tendency. Unit profit levels declined as unit labour costs rose. Assessing the general characteristics of the wage catch-up the OECD Annual Review in 1968 observed: "The rise in wages has entailed some changes in income distribution in favour of labour. This is a feature well in line with earlier cyclical experiences".[32] Under different conditions, and over a shorter period of time, a similar cycle of wage/profit movements occurred in the 1970's. During the upswing from 1971 to 1974 profits soared while wage rates fell behind. The wage catch-up which began in 1974 reversed this movement.

Thus the basic pattern of wage pressures which developed toward the end of the 1960's and in the 1970's, corresponded to cyclical movement of relative wage levels which accompanies the swings of the business cycle. However, in important respects the cycle of wage catch-ups and the general pattern of wage pressures became increasingly 'distorted' toward the end of the 1960's. It was clear that the long expansion had weakened the market mechanisms of wage restraint. As the Task Force on Labour Relations pointed out in 1968 "because of collective bargaining and other significant social and economic forces, there are fewer sectors of the economy where wages move downward or do not rise when there is a decline in the demand for labour employed in these sectors".[33] In its characteristically circumspect manner, the Task Force concluded that at the 'micro-level' unions were often the source of cost-push inflation.

The shift of bargaining power was tangibly evident in the character of industrial struggle and the pattern of wage pressures after 1965. The strike wave in 1966 established a new plateau of strike activity and set a new tone of industrial militancy for the decade which followed. After 1965 there developed a tendency for the rate of wage settlements to rise despite a slackening of economic activity and increases in the rate of unemployment. This was apparent in 1967, when wages continued a relatively strong rise despite a pause in the expansion. This tendency towards the development of increasingly 'autonomous' wage pressures became particularly evident during subsequent periods of slow growth and economic contraction. During the 1969-1970 recession the rate of wage increases in new settlements was unaffected by slower rates of growth and a rise in the level of unemployment to 5.9%. The established pattern of wage rises continued right through the period of recession, notwithstanding a modest fall in the rate of inflation. As Table Three below illustrates, the tendency for wages to rise, independent of other coordinates of economic activity, reached a new pitch toward the middle of the 1970's. Sharp increases in the rate of wage settlements coincided with a equally sharp economic downturn.

Table Three: Average Annual Percentage Increase in Base Rates for New Settlements. Compound Rate of Increase Over the Term of the Agreement, 1967-1975 (in percentages)[34]

	1967	1968	1969	1970	1971	1972	1972	1974	1975
Total	8.8	7.8	7.6	8.5	7.8	8.0	10.3	14.3	16.9
Private	7.7	7.8	8.2	8.5	7.9	9.1	10.5	14.3	14.7
Manufacturing	7.7	7.9	8.4	8.3	7.6	9.0	9.4	13.1	13.9
Public	11.1	7.9	7.2	8.3	7.7	7.1	10.0	14.2	19.1
Federal	----	6.2	6.2	5.7	6.6	8.8	9.0	11.3	13.6
Provincial	8.5	8.2	8.5	7.1	7.9	8.0	10.0	14.6	19.6
Quasipublic	9.1	10.4	8.3	9.2	8.5	7.8	10.5	19.0	20.8
Municipal	12.4	6.9	11.3	9.9	9.3	7.5	9.9	12.5	17.6

The pattern of aggressive and sustained wage pressures which developed after 1965, was intensified by accelerating rates of inflation. Unpredictable price rises engendered widespread 'inflationary expectations', and attempts to gain wage settlements which anticipated future price increases. In the 1960's and more seriously in the 1970's, a boost in the rate of inflation <u>preceded</u> the phase of cyclical wage catch-ups. (See Table Two, page 69 above) In the 1960's this was largely the result of the over-rapid expansion fueled by rising state expenditures. In the early 1970's fiscal and monetary policies were the basis for a profit-led inflationary spiral which began with the upwsing in 1971. In both cases the rising rates of inflation aggravated the pattern of cyclical swings in the relative levels of wages and profits. During the phase of upswing accelerating inflation increased the tendency for wages to fall behind productivity and profit increases. To the degree that the wage-lag was more severe during the upturn of the business cycle, there developed a sort of 'sling-shot' effect in the phase of wage catch-ups.

It is arguable that the accelerating rate of inflation in the early and mid-1960's, and a more extreme wage-lag, was an important source of the 'wage-explosion' which occurred after 1965. Certainly this was the case during the business cycle of the early 1970's. Shortly after the upswing began, inflation caused a stagnation and even a decline of real wages in several sectors. As Table Four below indicates, the erosion of wages was widespread. These developments were the basis for a concerted bargaining assault which was closely synchronised with the onset of recession in 1974. As the over-rapid growth of the 1960's gave way to inflationary growth in the 1970's, the pattern of wage pressures reflected these distortions. After 1965 the increased bargaining power and more militant stance of workers, made them an aggressive participant in the wage/price spiral. Especially where strong wage pressures coincided with falling production, the level of wage settlements aggravated economic contradict-tions. During 1969-1970 and 1974-1975 there developed a cyclical profits squeeze.

Table Four: Average Change in Real Weekly Earning, by Sector[35] 1973-1976 (percentages)

	1973	1974	1975	1976
Mining	3.6	2.1	6.5	6.2
Forestry	6.4	0.6	2.8	3.4
Manufacturing	-0.2	-0.1	4.2	4.7
Construction	-0.1	0.1	5.4	9.0
Transportation and Communication	0.8	1.5	3.7	3.3
Wholesale Trade	-0.6	-0.6	2.9	3.0
Retail Trade	0.4	-0.2	2.8	3.7
Finance, Insurance and Real Estate	2.2	0.6	1.3	2.6
Services	-0.8	-0.8	3.1	4.7
Average	0.0	0.1	3.4	4.2

The Impact of Wage Pressures

As Keynesian demand management began to collapse in the face of the inflationary spiral which its had done so much to create, it was popular to focus on unions and wage pressures as the source of 'cost-push' inflation. This view was expressed by Sir Roy Harrod, a British economist, speaking to the Senate Committee on National Finance, in Ottawa in 1972. He explained that the main cause of inflation "is not something economic at all, but what I would call sociological. It is a new attitude of mind; it is a more activist attitude on the part of the trade unions and a more permissive attitude on the part of the employers ... They are a little more activist in fixing the prices they charge".[36] With variations this view is advanced as a general explanation for the crisis of demand management, rising unemployment and the necessity to introduce wage and price controls.

Many Marxists agree with aspects of this argument. Specifically they place a similar emphasis on the economic power of the working class. For example, Glyn and Sutcliffe have argued that the bargaining power of the working class is the source of the 'profit squeeze' and consequently the stagnation which has gripped British capitalism since the middle of the 1960's.[37] In their view post-war developments increased the objective strength of the working class and the power of the unions. Under the pressure of international competition, British capitalists are vulnerable to strikes and wage pressures, as a result of the general shift in the balance of economic class forces which is evident in the long term and accelerating increase in labour's share of the national income. Although it is less explicitly stated, a similar view underlies Wolfe's analysis of the evolution of Canadian economic policy. In his view expansion and the growth of union organisation laid the "basis for a marked growth in labour income and a significant shift in the share of the national income going to wage and salaries".[38] For Wolfe, the greater objective strength and militancy of organised labour is assumed to be the primary (domestic) source of the deepening contradictions of demand management policies.

Some objections or qualifications can be raised with respect to this line of argument. In general it overemphasises the role of labour's market power. There can be no objection to the view that labour's increased bargaining power and militancy was an important factor which exacerbated economic contradictions toward the end of the 1960's. But the increased bargaining power of labour and the inflationary impact wage demands became an increasingly urgent factor of the crisis within a shifting economic context. Wage pressures and union power compounded the economic crisis. But they were not the original source. More specifically, the use of data on relative shares of national income, is unsatisfactory as a measure of labour's economic power or the role of wage pressures as a source of profit squeeze. Aggregate figures lump together all forms of wages and salaries and make no distinction between the kinds of labour performed (that is between productive and unproductive labour). This approach has also been criticised for the use of a "rather Ricardian model of the relationship between capital and labour which treats workers' gains as capital's losses, and vice versa. This 'zero-sum' conception of capitalist society implies a gain by one class is a loss by the other."[39]

In Britain, the visible decline in the rate and share of profits since the early 1960's gives some apparent empirical confirmation to the profit squeeze argument. However in Canada, neither the trend in shares of the national incomes nor the long term trend of profits, provides corresponding confirmation. For the period from 1962 to 1975, the Anti-Inflation Board concluded that "labour's share is on a rising trend because of a shift out of non-paid employment, especially agriculture and does not reflect a real shift over time from capital to labour. The share of profits exhibits a slight downward trend. This downward trend reflects a tendency to a higher rate of debt financing, and not a downward trend in the share of capital in a broader sense".[40] In fact, the longer term performance of profits in Canada was highly favourable compared with other advanced capitalist countries. An OECD survey of long term trends in gross profits in the nine major capitalist countries between 1970 and 1975, indicated a slight trend decline in several countries including the United States, the United Kingdom, the Netherlands, Germany and Italy. But with respect to Canada, the OECD concludes: "Canada is the only country in which the gross rate of profit return may possibly have tended upwards. It is noteworthy that the most recent recession (1974-1975) was accompanied by a higher rate of return than for any other period of observation."[41]

Table Five: Gross Rate of Return and Gross Profit Share in Canada, 1960-1976[42]

	Gross Rate of Return (per cent)	Gross Profit Share
1960	15.0	26.4
1961	14.7	26.4
1962	15.6	27.1
1963	16.5	27.7
1964	17.9	28.7
1965	18.1	28.2
1966	17.3	27.3
1967	15.7	26.3
1968	15.6	27.0
1969	15.4	26.5
1970	14.0	24.7
1971	14.0	24.8
1972	15.2	26.0
1973	17.9	28.8
1974	21.7	30.2
1975	18.5	27.8
1976	----	27.2

Neither the trend in profits nor the trend in the shares of national income, lend support to the view that wage bargaining effected a significant long-term shift in the distribution of social surplus. In fact, if the above figures are interpreted from the point of view of the cyclical movement of profits amd wages, it would appear that over the period of two complete business cycles (1960-1961 to 1974-1975), Capital fared extremely well in the distributional struggle. The strong performance of profits in the 1970's suggests that particularly during this period the scope and impact of wage pressures was relatively limited.

As a general explanation of inflation and subsequent state efforts to put a ceiling on wage rises, the cost-push and profit squeeze arguments fail. However, as it has already been suggested these arguments do apply in a more restricted way to particular phases of the distributional struggle. As explained above increased union bargaining power and the inflationary erosion of real wages, contributed to a pattern of more aggressive and sustained cyclical wage recoveries. When wage rises outpaced price plus productivity advances, they were temporarily the source of further inflationary pressures. And where the cycle wage recovery extended through a period of economic contraction, wage settlements aggravated the cyclical or conjunctural profit squeeze. This pattern of cyclical wage pressures was both the source as well as the general expression of the intensification of the distributional struggle. We can distinguish two successive phases in the evolution of the distributional struggle after 1965. These are considered below.

1965-1970

In many respects cost-push and profit squeeze arguments apply more accurately to the impact of wage pressures during the latter half of the 1960's. The wage recovery which began in the middle of the decade occurred under extremely expansionary conditions. In 1965 and 1966 unemployment levels dipped below the 'virtual full employment' level of 4% and remained below 5% until 1970. In Ontario, the leading center of the 1966-1967 strike wave, unemployment fell to the 'over-full employment' level of 2.5% and fluctuated between 3 and 4% for the rest of the decade. Moreover, the extremely rapid rate of growth in the middle years of the 1960's had aggravated the labour shortages and bottlenecks already present in the economy.[43] These highly favourable bargaining conditions set the stage for the high annual wage settlements which persisted through the 1969-1970 recession. (See Table Three above, page 88)

The surge in the level of wage settlements coincided with a slowdown in the rate of growth. Although the expansion continued until 1969-1970, it was more hesitant than in the early 1960's. Following a period of strong investment spending (1963-1966), the rate of new plant and equipment spending fell sharply in 1967 and 1968. New investment made a modest rebound during 1969 and 1970 and dropped off again in the first two years of the 1970's.[44] Against the background of poor productivity improvements and slower rates of new investment, the rise in wages brought about a rise in unit costs in manufacturing relative to the United States.[45]

The conjunction of sustained wage pressures and more hesitant rates of growth and capacity expansion, resulted in a strong advance of wages over profits. An indication of the general effect of wage pressures during this period is provided by the Economic COuncil's calculations of the relative shares of 'factor costs' in the increase in total unit costs.

Between 1966 and 1970 increases in labour unit costs contributed 84.5% of total unit cost increases. Profits on the other hand contributed -15.8% of total increases. Unlike the previous period (1961-1965) or the following period (1971-1975) rising labour costs eroded the share of profits in final prices. This was particularly true during both phases of contraction when there occurred a sharp conjunctural squeeze of profits.

Table Six: Percent Change in Corporation Profit, and G.N.P[45] 1963-1970

	1963	1964	1965	1966	1967	1968	1969	1970
Corporation Profits After Taxes, Percent Change From Previous Year	12.5	22.8	10.0	5.8	1.6	10.5	3.8	-8.2
G.N.P.	5.2	6.7	6.9	3.3	5.8	5.8	5.3	2.6

As the figures indicate, the profit squeeze in 1969-1970 was especially severe. During the last half of 1969, and again from the third quarter of 1970 to the first quarter of 1971, the mass of profits fell sharply.[46] With respect to the latter period one economist observed at the time; "We have seen a fall in corporation yields and all yields of a long-term nature, greater than any time since the Second World War".[47] While it is difficult to separate the effects of wage pressures from the general effects of slowdown, it is clear that annual wage settlements of around 8% were a major source of rising unit costs and falling unit profits.

During 1970 "unit labour costs increased by 5.7% while profits per unit of output declined 22%."[48]

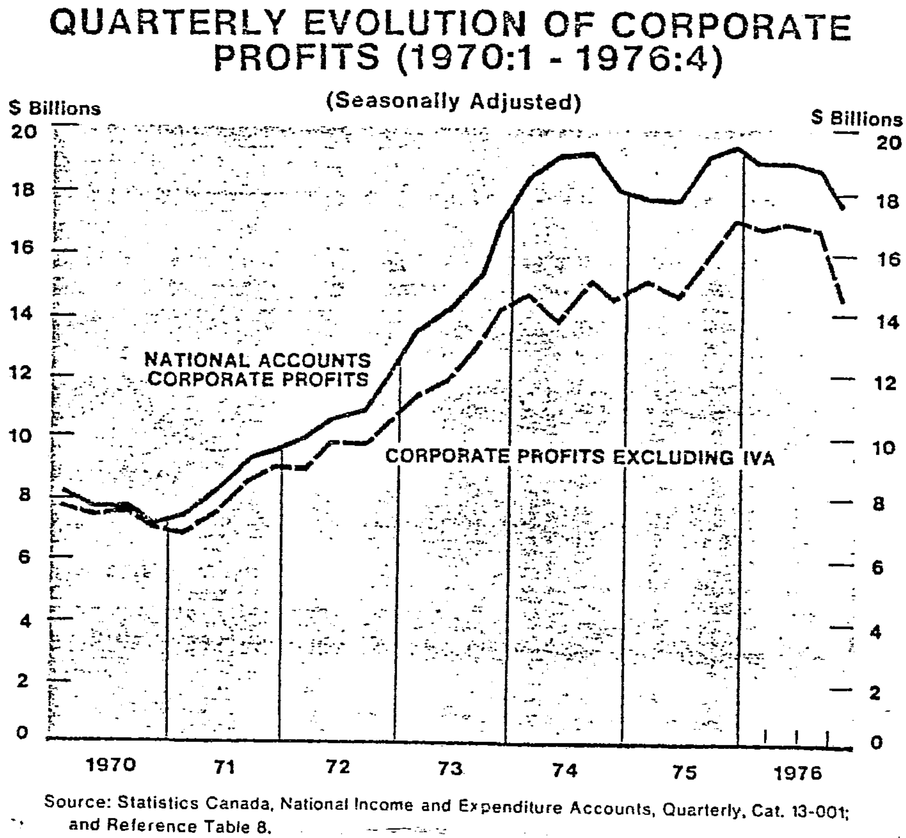
Pressure on profits was the source of a general intensification of economic conflict which assumed a variety of forms. The peak strike levels in the latter half of the 1960's coincided quite closely with phases of cyclical downturn. In 1966 working days lost to strikes reached a post-war peak of 5,178,000. In 1969 days lost numbered 7,752,000 and remained almost as high during 1970. These figures reflected not only greater worker militancy, but also greater employer intransigence in a period of contraction and slackening demand when higher wage costs could not be easily absorbed or passed on in higher prices. At the same time the rate of inflation accelerated. The scope of the wage/price spiral became clear in 1969-1970 when the rate of inflation could not be forced much below 4%. Unable to contain wage pressures at the bargaining table, or outrun wages with higher prices, capitalists launched a variety of appeals for state action. During the recession, when the profit squeeze assumed grave proportions, capitalists were active participants in the 'public' campaign to harness labour to the Prices and Incomes Commission voluntary wage and price restraint programme.

All of these developments pre-figured events of 1974-1975 and the eventual introduction of wage and price controls. But in some fundamental respects the context of the late 1960's differed from the 1970's. Despite slow growth and symptoms of basic structural weaknesses in the Canadian economy, the prospects for expansion remained favourable at the end of the 1960's. The recession in 1969-1970 was comparatively mild and the international economic climate remained relatively buoyant. Although Canadian manufacturing competitiveness had slipped, Canada's trade performance remained favourable.[49] Thus while wage pressures were considerable their impact was modified somewhat by continued expansion. In the 1970's, the equation shifted. The general scope of wage pressures was more modest, but the dimensions of economic crisis were far more extensive.

1971-1975

The recovery and rise of profit levels which accompanied the upswing in the 1970's was strongly reinforced by the acceleration in the rate of inflation after 1972. While the inflationary spiral was partly the result of international price shocks, the benefits clearly accrued to capitalists. "Almost 40% of all employees involved in wage settlements during 1970, 1971 and 1972 signed long-term contracts. Consequently a large number of these employees were caught in these long-term contracts during a period of rapid inflation".[49] The stagnation or decline of real wage levels, (see Table Four above, page 90) coupled with expansion and rising productivity was the basis for a 'profit explosion'.

Chart One: Quarterly Evolution of Corporate Profits[50]



The expiry of a very high percentage of collective agreements in 1974 and 1975 set the stage for a broad-based and vigorous wage catch-up, which began as the expansion peaked in 1973-1974. While the rythms and the level of wage demands varied between sectors and according to contract timing, the general pattern of the wage recovery is clear enough. The level of wage settlements took a sharp jump at the beginning of 1974 and another jump in the first half of 1975. To take one indicator, the average increase in base rates in major settlements in all industries (excluding construction) jumped from 9.8% in the last quarter of 1973, to 12.1% in the first quarter of 1974. A further sharp rise occurred at the end of 1974. Settlements in the public sector followed a similar pattern, although sections of the public sector registered somewhat higher levels of settlement than the private sector(notably municipal employees, education and hospital workers), and peaked somewhat later in 1975.[51]

Table Seven: Profits, 1974-1975, (Net Income After Taxes ($M)[52]

	Actual Data 1976	Annual Percentage Change or rate 1974	1975	1976
--All Industries	8,428	22.1	-7.6	-1.9
--By Industry Group				
Mining	1,756	19.1	-12.7	6.3
Manufacturing	4,192	27.9	-11.3	-3.1
Utilities	216	-2.1	23.0	26.3
Transportation, Storage and Communication	858	6.9	10.1	6.4
Wholesale Trade	660	27.4	-9.8	-15.3
Retail Trade	410	17.3	1.7	-21.8
Community, Business and Personal Services	335	5.0	9.6	4.4

The sharp rise in the level of wage settlements was thus closely synchronised with a general decline in economic activity. Although the recession was somewhat milder in Canada than elsewhere, it was still quite deep. Every productive sector registered a flat or negative rate of growth during the latter half of 1974 and most of 1975. In manufacturing productivity levels rose only 0.1% in 1974 and fell 1.3% during 1975. In the context of a general contraction of world trade, exports (in dollars) fell 2.3% in 1974 and 7.1% in 1975. As a result, the pattern of rising unit costs and falling unit profits was even more pronounced than during the slowdowns of the 1960's. The extent and distribution of the fall in profit levels is illustrated in Table Seven above, page 101.

Reproducing the pattern of the 1960's, the coincidence of strong wage pressures and falling production precipitated an eruption of industrial conflict. In 1974 working days lost to strikes totalled 9,221,980. In 1975 strike levels peaked again with 10,909,811 days lost. These extremely high strike levels were the result of the compressed character of the wage catch-up during this period. Wage demands and industrial militancy ran high as a result of the previous (and ongoing) inflationary erosion of wages. And the scope of strike activity was particularly broad as a result of the extent of contract negotiations conducted during 1974 and 1975. 1975 was an especially heavy year for collective bargaining. During that year 51% of all major collective agreements (covering over 500 employees) expired. The expiring agreements involved 71.5% of all workers covered by major collective agreements. It is significant (with respect to the timing of wage control initiatives in early 1975), that a number of large and highly visible contract negotiations were conducted in the spring and summer of 1975. These included International Nickel, Abitibi, and the Steel Company of Canada. Thus the bargaining assault peaked exactly at the point where the recession bottomed-out.[53]

Rising wages after 1974 reinforced the persistence of the inflationary spiral during the recession. However, unlike the 1960's the impact of wage pressures in the 1970's was much more limited and indirect. During the upswing, the prime mover of the inflationary spiral was clearly the rising level of profits. Only during 1975 did the share of wages in total unit costs, advance over profits. But during the recession the <u>primary</u> source of the continuing inflationary spiral was the cost of financing the expanded corporate debt. As the credit-financed boom gave way to slump, the cost of 'financial inputs' as a share of final prices rose dramatically. In 1975 "financial input costs per unit grew by 31.1%".[54] The main source of double digit inflation was not the profit squeeze generated by wage pressures, but a growing liquidity squeeze which corporations attempted to forestall by means of a further expansion of credit and an acceleration of price rises.

The wage catch-up in 1974-1975 intensified the wage/price spiral which had developed in the previous period. But in general, it would appear that the scope of wage pressures in the mid-1980's was more limited than it had been during the 1960's. As Chart One (see page 100 above) indicates, profits stood at very high levels prior to and <u>throughout</u> the 1974-1975 recession. Compared with the 1970's, the share of profits in the net national income was higher in 1975 than it was during any year after 1965.* This provides one indication that despite the 1974-1975 bargaining assault, the wage catch-up was not fully commensurate with the price plus productivity advances which had occurred prior to 1974. This was even more likely the case with respect to unorganised workers. While the wages of a large proportion of unorganised workers are frequently 'pulled along' by the level of negotiated settlements, it is probable that inflation followed by slump and high unemployment weakened this relationship.

Employer intransigence at the bargaining table and the subsequent introduction of a program of wage and price controls which was aimed at lowering wage levels, was not the result of an increase in the magnitude of wage pressures or a general erosion of profits levels. The wage catch-up compounded con-

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*The Economic Council's 1980 Annual Review provides a chart tracing the evolution of profits as a share of national income from 1966-1970. Although this is a somehat uncertain indicator, the evolution of profits in the 1970's appears to show that the steep rise of profit levels in the early 1970's established a new plateau for profit levels which has been maintained since. The general rise of profit levels is all the more surprising in the context of economic stagnation and virtually no improvement in productivity (since around 1974). This pattern of profits coupled with the general decline in real wages confirms the view that capitalists have managed to effectively boost the rate of exploitation. 55

junctural economic contradictions and indirectly fueled the inflationary spiral .But it was only as deeper contradictions surfaced that these developments became really serious problems. During the recession it became clear that Canadian capitalism had suffered a dangerous deterioration of its international competitive status. From 1969 to 1975 Canada's share of world exports had fallen from 5.3% to 3.9%. Canada's share of all exports to the United States fell from 27.8% to 22.6%.[56] As imports continued to rise rapidly the "trade competitive index" registered a steady decline in trade performance after 1970.[57] "In short, despite favourable terms of trade and healthy markets for raw and processed materials and grains, the deterioration of Canada's trade performace during the first half of the 1970's, was massive. It led to lower real output than the world business cycle warranted and added to the incidence of idle capacity in goods-producing industries".[58] While the expansion continued and profits soared this was not a pressing concern. But in 1974-1975 the bite of international competition became more painful.

Of particular concern to businessmen and politicians was Canada's declining competitiveness in relation to its major trading partner, the United States. After 1970 costs and prices of manufacturing rose much faster than in the U.S. Whereas the prices or manufactured goods in Canada had been equal in 1970, by 1975 the manufacturing price index had risen to 164.6 compared to 155.3 in the United States.[59] This development was frequently explained by reference to the rise of wages relative to those in the United States. In his budget speech on June 23, 1975, Finance Minister John Turner provided the following figures as support for the argument that Canada was pricing itself out of the market in relation to the United States:

Table Eight: Labour Costs -- Canada and the United States[60]

	Overall: Wage Settlements, Percentage Increase at Annual Rates in Contracts Settled in the Period — Life of New Contracts		Manufacturing: Wage Settlements at Annual Rates in Contracts Settled in the Period — Life of New Contracts	
	Canadian	United States	Canadian	United States
1970	8.5	8.9	8.4	6.0
1971	7.8	8.1	7.6	7.3
1972	7.7	6.4	8.7	5.6
1973	9.8	5.1	8.7	4.9
1974	14.2	7.3	13.0	6.1
1975	16.0	7.7	15.7	8.5
1974 as % of 1969	158.0	141.4		

The comparatively rapid rise of wage levels provided a a convenient explanation for Canada's inflationary and competitive difficulties, and targetted organised labour as the source of the problem. However, the argument that 'exhorbitant' wage demands were the cause of the deteriorating competitive status of Canadian capitalism was both misleading and false.

In the first place, the comparison between U.S. and Canadian wage rates generally ignored the real source of the divergence. This argument neglected the fact that in the U.S. the rise in wage levels in the first half of the 1970's proceeded more slowly than any other major capitalist country. Successive wage freezes and 'belt tightening' had produced a decline in relative wage levels in the United States. From 1973 to 1975 when Canadian wage rates appeared to be rising so rapidly, this was largely due to the fact that U.S. wage levels were falling. During this period, earned disposable income fell by 3.8% annually in the U.S.[61] In comparison with other capitalist countries the rise of wage levels in Canada was quite modest. On this point the Conference Board in Canada reported in 1976: "On average Canadian costs have risen less than unit labour costs in Japan and West Europe since 1970. In terms of U.S. dollars (taking account of exchange rate changes) the rise in unit labour costs in manufacturing from 1970 to 1974 has been: United States 10%, Canada nearly 30%, West Europe roughly 70%; and Japan about 100%. Since the United States is Canada's main competitor in trade in manufactured goods, however, the net effect has been a decline in Canadian competitiveness".[62] The relative rise in Canadian wage levels then, was most appropriately explained in terms of the fall of American wage levels. Of course its is not surprising that business and politicians failed to understand the distinction. If wage levels were lower or falling elsewhere, this could only mean that they were too high and rising too fast in Canada.

The comparison between wage trends in Canada and the United States also tended to exaggerate the extent to which wages were the source of rising costs of production. Unit labour costs are a function of wage levels, the degree of capacity utilisation, and productivity levels. Since Canada's economic performance was significantly better than the U.S.'s after 1973 and throughout the recession, faster rising wage levels did not necessarily translate into a comparable rise in unit labour costs. Moreover the extent of the increase in unit labour costs relative to the U.S. was not entirely clear. As the issue of labour costs developed an explicitly political dimension with the introduction of wage controls, the figures themselves were challenged. Basing its argument on a study by the U.S. Bureau of Labor Statistics, the United Auto Workers argued that over the period from 1967-1975 "our (Canadian) labour costs increased at exactly the same rate as the U.S."[63] Over the period from 1970-1974 the increase in unit labour costs was only slightly higher than in the U.S.

The focus of capitalists' and politicians' attention on the problem of rising wages obscured the far more basic failings of the system they defended. Even if unit labour costs were rising faster than the U.S. (which was most probably the case), this was not the main source of Canada's economic difficulties. The established pattern of a continued rise in real wages simply sharpened the contradictions which had erupted in the context of the slump and the intensification of international competition. Along with American capitalism, Canadian capitalism faced the problem of slower rates of productivity improvement relative to European and Japanese capitalism. By the 1970's as the post-war expansion slowed, the productivity gap between North America and these countries had disappeared in important sectors. North American capitalism faced new and intense competitive pressures. In the U.S. a broad effort was launched in the beginning of the 1970's to drive down relative wage levels. This compounded the problems in Canada, where the manufacturing sector functioned at absolutely lower productivity levels. As the Economic Council's study of Canadian manufacturing has shown, industry in Canada was characterised by smaller plant size, shorter production runs and lower rates of new investment.[64] Although there was some evidence of a modest narrowing of the productivity gap in the 1960's and 1970's, in the middle of the 1970's manufacturing as a whole operated at 15-18% lower levels of productivity than U.S. manufacturing.[65]

As productivity and new investment dropped off during the slump, the vigorous wage catch-up aggravated the competitive squeeze which Canadian capitalism faced. During the 1960's capitalists in Canada had relied on the absolute productivity advantage which they shared with the U.S., relative to most other countries. The productivity gap relative to the U.S. had been relaxed by lower wage levels. But as international competition intensified and wage levels in the U.S. began to fall, these advantages evaporated. Moreover, the inflationary explosion which stimulative measures had done so much to fuel, was turned back upon itself as wage settlements rose sharply after 1974. Unable to impose rigorous monetary restraint except at the cost of a much deeper slump, the federal government resorted to wage controls in order to resolve the problem of a competitive decline compounded by rising costs.

The recession of 1974-1975 witnessed the convergence of a number of developments which together spelled a severe erosion of the general conditions of capital accumulation in Canada. As indicated above, the problem was not a shortage of capital. In the early 1970's the rate of accumulation and the level of profits had been quite favourable. But in the middle years of the 1970's barriers to further accumulation appeared. Ultimately no capitalist state can force capitalists to invest, nor can it directly 'plan' a restructuring of capitalist production. But by means of various special measures it can establish the conditions which will make investment attractive. Aiming to restore the 'competitive edge' to capitalism in Canada, the federal government embarked on the program of mandatory wage and price controls.

NOTES:

1. David Wolfe, "The State and Economic Policy" in Leo Panitch (ed), The Canadian State:Political Economy and Political Power, Toronto: 1977, p. 260.

2. Economic Council of Canada, Second Annual Review, Ottawa: 1975, p. 26.

3. Economic Council of Canada, Third Annual Review, Ottawa: 1976, p. 36.

4. Wolfe, p. 260, Table Two.

5. Ernest Mandel, The Second Slump, London: 1977, p. 14, Table One.

6. Andrew Gamble and Paul Walton, Capitalism in Crisis, London: 1976, Chapter Two.

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CHAPTER FOUR: STATE INTERVENTION

The structural characteristics of the Canadian economy posed acute problems for state economic and social management. The immediate roots of these problems lay in the regional fragmentation of the economy and its heavy reliance on resource-extraction industries. The enormous export sector, and the high proportion of foreign investment, meant that specific regions and the economy as a whole were tightly integrated into the continental and world capitalist system, and for the same reason extremely sensitive to international developments. Apart from the relatively small monopoly sector, Canadian manufacturing firms were comparatively small and productively inefficient. The concentration of the truncated manufacturing sector in southern Ontario produced wide regional disparities. Throughout the 1960's and early 1970's unemployment levels in B.C. and Quebec and the Maritimes were between 1% and 3% higher than national levels. At the same time the regional structure of labour markets, the absence of a developed national manpower policy until the early 1970's and the gross inadequacy of training and labour allocation programs, contributed to ongoing labour shortages which hampered strategies for rapid economic growth. In the context of the developing international crisis, all of these problems became aggravated. In the early 1970's the Canadian economy faced stiffer international competition notably the introduction of protectionist measures in the United States, and the slackening of international demand which occurred as the capitalist countries slipped into the 1974-1975 recession. As a result of these factors, and despite a relatively buoyant environment, in the decade after 1966 the Canadian economy suffered from sagging rates of new investment, high levels of unemployment and a competitive decline in the manufacturing sector.

Throughout the 1960's and until the mid-1970's the main thrust of economic policy was expansionary. Stimulative measures managed to maintain an adequate rate of growth and keep unemployment at (barely) politically tolerable levels, In the early 1970's exremely inflationary fiscal measures encouraged the sharp upswing, fed the raw materials and energy boom, and eased the impact of the 1974-1975 recession. However, demand stimulation failed to re-establish the basis for long-term growth. Unable to reverse the developing tendencies toward stagnation, economic policies fueled the inflationary spiral. Once inflation developed its own accelerating momentum, it tended to progressively weaken the impact of existing stimulative measures while generating new pressures for additional stimulation. As policy makers succumbed to the pressure to sustain the expansion, fiscal and monetary policies were gradually drawn into the inflationary vortex they had done so much to create. The polarisation of economic conflict became broader and deeper, and the wage/price spiral became more firmly entrenched. Caught between the options of inflation or slump, macro-economic policies became increasingly ineffective, inflexible and contradictory in their impact. As the recession bottomed-out in 1974-1975 and the wage/price spiral continued to accelerate, the expansionary policies which had postponed the onset of economic crisis over the previous decade, had begun to reach the limit of their effectiveness.

Within the limits of a basic policy commitmemt to rapid growth, traditional counter-cyclical teahniques of deamnd management could not contain inflationary pressures. For a brief period in 1966 and more extensively in 1969-1970 the government introduced restrictive monetary policies. However, monetary restraint was "too brutal or effective to be used fully".[1] While restrictive monetary policies eased demand pressures they had a direct and adverse impact on profit and investment levels which aggravated the symptoms of stagnation. In 1969-1970 when underlying demand remained fairly strong, monetary restraint had some effect in reducing the rate of inflation, at the cost of a mild recession. But a squeeze on profits and a rise in unemployment levels to around 6% nationally forced a reversal of these policies before they had achieved their objective. During both periods the flexibility of counter-cyclical policies was severely limited by the pattern of cyclical wage pressures which aggravated the squeeze on profits. During 1974-1975, the scope of the recession coupled with the pattern of wage pressures, precluded any attempt to contain the inflationary spiral by means of vigorous monetary restraint. It was only after compulsory wage controls were firmly in place that the government introduced a cautious program of gradually winding down the rate of expansion of the money supply.

Fiscal policies were more flexible but less effective. On the revenue side, the attempt to shift the burden of taxation to wage and salary earners proved somewhat counterproductive. Major tax concessions to industry in the early 1970's were intended to "clear the decks to provide Canadian manufacturing and processors with a competitive edge".[2] It was hoped that a more profitable business environment would encourage new investment and relax inflationary pressures. But despite an extensive program of tax relief introduced in the May 1972 budget, the surge in rates of new investment was shortlived. Under conditions of a world-wide inflationary spiral and the impending global slump these measures proved to be too little too late. Moreover in a climate of inflationary expansion, higher levels of personal income tax "tended to feed and reinforce the inflationary spiral".[3] Following a short time-lag workers recovered tax losses at the bargaining table, and rising wage costs in turn eroded the effects of tax relief to industry. On the expenditure side, in addition to political obstacles, inflation further constrained attempts to redirect state spending to encourage new investment. Strong wage pressures from state workers reinforced the upward trend in the cost of state services and made budgetary allocations both more unpredicatble and more inflexible.

The Crisis of Economic Management

In the last half of the 1960's the multiplying symptoms of stagnation and the accompanying polarisation of class conflict began to strain the framework of state economic policy and management. As indicated above, the proportion of state expenditure continued to rise rapidly. This reflected both the continuing pursuit of growth and employment objectives established during the expansion of the early 1960's, as well as a real shift in the balance of class forces. Along with the rise of industrial conflict, the shift in the balance of forces was visible in the more militant and vocal stance of trade union leaders, a general shift to the left in popular consciousness, and in Quebec, the dramatic rise of working class national consciousness. All of these developments imposed new social responsibilities on the Canadian state. They intensified the pressure to sustain high employment levels and reduce social, national, and regional inequalities. The federal government responded with "an explicit articulation of the goal of removing regional disparities" as well as the introduction of redistributive and social policy measures which included "an expanded medicare program, a tax reform process, and special social employment programs such as Local Initiative Programs (LIP) and Opportunities for Youth (OFY) and changes in the unemployment insurance program".[4]

But in the same period, the rate of capital accumulation slowed. During the 1969-1970 recession business 'took a bath'. Working class militancy and wage demands, the trend in state expenditure and the introduction of social programs, specific legislative initiatives, and the general erosion of the business environment all gave rise to bitter complaints from the business community. During and following the recession business suffered a 'crisis of confidence' in the federal government. In December 1971 F.H. MacNeil the president of the Canadian Bankers Association said: "Confidence is low among Canadian businessmen because they believe many government attitudes are either irrelevant or fundamentally detrimental to Canada's interest ... businessmen are frustrated and disenchanted".[5] Developing the same theme the Chamber of Commerce 1972 Brief to the Prime Minister and Cabinet declared businessmen were "frustrated and confused" in their relations with government. "There is a feeling of impatience among businessmen that their attempts to develop strong growing enterprises are not appreciated by or sympathised with by some responsible government representatives". The Brief attacked the tax reform legislation introduced in 1971, as well as the proposed Competition Act and planned revision of Part V. of the Labour Code. Along with virtually the whole business community, it demanded a closer accounting from Ottawa, and closer consultation with business to ensure that specific policies were not detrimental to the business environment.[6]

The growing incapacity of macro-economic policies to deal with the inflation/stagnation dilemna, and the pressure of increasingly divergent class demands, forced a restructuring of the framework of state economic management. Beginning in the final years of the 1960's a "vast new array of departments were created in response to new goals and to help alleviate general economic conditions. Following the establishment of these new units beginning in the early 1970's we witnessed a growing concern with the micro-dimension of economic management both in terms of particular departmental constituencies and in terms of public-private sector consensus machanisms".[7] The newly created ministries including the Departments of Consumer and Corporate Affairs, Manpower and Immigration, Regional Economic Development and Industry, Trade and Commerce. All of these Departments were subsequently involved in a variety of policy initiatives and interventions aimed at resolving specific economic problems.

The reorganization of the agencies of state economic management was <u>not</u> part of a centrally coordinated program of economic and social planning. In the first instance these changes were symptomatic of the crisis of economic management. In the context of developing international crisis the same factors which had inhibited the development of planning measures in the post-war period had become fundamental obstacles to planning in the 1970's (and 1980's). The vulnerability of the Canadian economy, fractional and regional divisions within the capitalist class, the federal organisation of state policy and administration, and the crisis of confederation which threatened to erupt with the rise of the Quebec national struggle, all presented major blocks to formulating and implementing a coherent program of capitalist planning. Contradictory fractional and class interests found expression in the uncoordinated and even contradictory objectives which underpinned the policies pursued by different ministries responsible for economic management.*

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*In Phidd and Doern's study of Canadian economic management and policy, the evolution of the agencies of economic management is revealed as an unwieldly and frequently chaotic process marked by departmental 'spillovers', policy gaps, and internal conflicts. The authors point out that one of the basic questions at the root of problems of economic management, has been the failure of the central state to reconcile the objectives of regional economic development with the effort to set out national goals and priorities. With the development of the international oil crisis, and the subsequent sharpening of federal-provincial conflict over energy resource control and pricing policies, this has become the fundamental issue of state economic policy in the 1980's.

All of these problems were compounded by the economic class polarisation, and the breakdown of the industrial relations system. The structure and dynamic of the industrial relations system posed serious obstacles to initiatives in this direction. At the level of the central state there existed no important integrative mechanisms, in the form of advisory bodies, tripartite councils or similar institutional arrangements, through which the state could effectively canvass organised labour for support of state economic policies. Moreover, notwithstanding the social democratic posturing of the Liberal government in the early years of Trudeau's regime, and the modest package of social measures introduced in that period, the Liberal government never advanced a social program which could in any way be construed as the basis or framework for the development of a 'social contract'.

However, the reorganisation of the framework of economic management did mark an expansion of the scope of state activity*

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*Clauss Offe has introduced the distinction between 'allocative' and productive functions of the capitalist state. The former include those tasks which the state performs on the basis of powers which are already at its disposal. Where capital accumulation begins to run up against its own inherent limits, the state is forced to develop forms of intervention which actively foster capital accumulation. "In addition to the state organised framework of production/accumulation some physical input is required in order to maintain accumulation". This was the broad trend of economic policy developments in the 1970's. 8

and it was accompanied by the development of qualitatively new forms of state intervention. It represented an extension of the state apparatus in order to negotiate the developing symptoms of economic and social crisis. Several ministrial departments became more active in monitoring, providing research and consultative services, and targetting objectives for sectors or industries. These interventions represented a move toward 'indicative planning'. The Department of Industry, Trade and Commerce in particular assumed a central role in the effort to tailor policies to the needs of specific industries, in order to encourage technical innovation, capacity expansion, and international competitiveness. The merger of the Department of Industry with Trade and Commerece in 1969 was part of an attempt to integrate various programs of assistance to industry, and improve the coherence and expand the practical influence of macro-economic policies.[9] During the period under discussion both the department's ministers, Jean-Luc Pepin and Allistair Gillespier were closely identified with the attempt to formulate an Industrial Strategy.[10]

Accompanying new policy initiatives was the development of new forms of consultation between business and government. In 1971 the Treasury Board under C.M.Drury introduced the "Executive Interchange Program" in which business and the federal bureaucracy exchanged personnel including those at the senior levels.[11] In 1970 the Industry, Trade and Commerce

Minister's Advisory Council was expanded to include "approximately 40 representatives of trade, industrial and regional interests with which the Minister periodically discusses important issues concerning government-industry relations".[12] Especially after 1972 the explicit and frequently stated purpose of Industry, Trade and Commerce was to establish "the closest possible working relationship between government and industry".[13] In 1972 a Cabinet shuffle moved Edgar Benson, Ron Basford and Bryce Mackassey from their respective posts as Minister's of Finance, Consumer and Corporate Affairs, and Labour. Coinciding with the appointment of aggressively pro-business figures, John Turner as Minister of Finance and Allistair Gillespie as Minister of Industry, Trade and Commerce, these moves were widely perceived as an attempt to appease the business community and establish a stronger voice for business in Cabinet. These and other developments were part of a pronounced trend toward a tighter interpenetration of industry with the agencies of state economic management. They marked not only a deepening of the lines of communication but also an attempt to extend the process of policy formation to include wider and more direct representation from the capitalist class.

Through the Department of Manpower and Immigration the federal state also became more active in promoting "training, assisted mobility, improved labour market information, vocational counselling and placement services"[14], in order to reduce problems of bottlenecks and structural unemployment. Legislative measures aimed at developing a national employment (and unemployment) policy included the Adult Occupational Training Act in 1976, the revision of the Act and the expansion of the program in 1970, and the Unemployment Insurance Act in 1971. In the mid-1970's when the problems of both unemployment and shortages of skilled labour had begun to assume crisis proportions, the Department was reorganised in an attempt to develop "a new employment strategy focused on the demand side of manpower".[15]

By contrast with the quite extensive attempt to expand the scope of business participation in the policy process, the federal government assigned a lower priority to restructuring relations between organised labour and the state within the wider framework of economic policy. Until 1975, no serious attempts were made to integrate the apparatus of the trade union movement; either in terms of basic legislative measures aimed at stabilising the industrial relations system or in the form of the development of new consensus mechanisms. The two major items of federal labour legislation in this period, the Public Service Staff Relations Act, which granted federal employees the right to bargain collectively and to strike, and the revision of the Canada Labour Code which contained provisions covering technological change, were the direct result of the militancy and agitation of the labour movement. These measures broadened the scope and to a limited extent deepened the process of collective bargaining (bringing new issues into the forum of collective bargaining). But their main purpose was to maintain the status quo rather than introduce any basic changes in the structure and tenor of industrial relations.

Among its many recommendations the Task Force had proposed the formation of a "Canada Industrial Relations Council" composed of business and labour representatives and attached to the Department of Labour as an independent advisory body.[16] And more than one commentator had pointed out that from the standpoint of state economic policy "there is much to be said for improved public devices for the exchange of views among business, government and labour leaders".[17] But the longstanding hostility of the state and employers towards organised labour, the limited jurisdiction of the federal government and the weak decentralised nature of the union apparatus, all mitigated against state initiatives. It was only under the pressure of immediate events in 1969-1970 and 1974-1975, and then only on a very narrow basis, that the state acted on these recommendations and launched attempts to develop tripartite consensus mechanism.

However, as a result of the extension of collective bargaining within federal jurisdiction and the cyclical rise of industrial conflict, the Department of Labour gradually moved toward expanding its intervention in the sphere of industrial relations. In addition to its heavier burden of mediating and conciliating industrial disputes, in the late 1960's under Bryce Mackassey the Department of Labour was active in promoting "preventive mediation" and "positive" industrial relations.[18] The Department continued to encourage the formation and service the activities of labour management joint consultation committees under both federal and provincial jurisdiction. In addition to plant level committees it also organised regional and national management conferences on the same format.

Consultation committees were conceived as a way of establishing a forum for labour and management to "seek new solutions to their problems ... Larger issues such as automation, workers displacement, job security, training, and involved matters of management-union principle and policies cannot be given full and fair consideration in heated negotiation sessions ... "[19] Within the federal civil service, the National Joint Council, which had existed prior to collective bargaining was kept alive for the same purpose. The NJC was promoted as a "forum for systematic study and discussion of problems which transcend the concerns of particular bargaining units".[20] However, precisely because these pre-bargaining consultative forums did not intersect with or affect collective bargaining in important ways, their impact was limited and their existence was somewhat precarious.* More than one union rejected the paternalistic and co-opting format of these exercises. The major postal unions for instance rejected the archaic National Joint Council, declaring that "the questions handled by the Joint Council should be dealt with in direct contract negotiations between the government and the unions".[21]

After 1970 the Department of Labour's Labour Management Consultation Branch shifted its emphasis "from local unit consultation to country-wide systems of consultation".[22] Concurrently, the Minister, John Munroe, was active in promoting the idea of industry-wide bargaining. Under his initiative, the Canada Labour Relations Council was formed in June 1975. In its four meetings before labour pulled out to protest controls, the CLRC agreed to develop a common statistical basis for business-labour discussion. The CLRC was also part of the wider attempt to develop tripartite consensus on the question of wage and price controls. Coinciding with its formation the Department of Labour formed an internal "Policy

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*From the end of the 1960's until the middle of the 1970's, the number of employees 'represented' by the consultation committees increased from around 600,000 to around 800,000. However, this was not a stable or even development. Committees functioned briefly, ceased to operate and were subsequently re-established under the active supervision of the Department of labour.

Coordination Group" which in the first months of its existence "worked with the Department of Finance on the Consensus exercise".[23] In the wake of wage controls, and a broad debate over 'social corporatism', 'tripartism' and 'cooperation', the Department of Labour assumed a higher profile in initiatives aimed at partially integrating the union appartus into the policy process.

Wage and Price Restraint

The crisis and forced restructuring of the framework of state economic management was accompanied by attempts to develop policies which could directly influence wage and price movements. After 1975 the issue of wage and/or price controls in some form or other, was a permanent feature of the debate over inflation and the problems of the economy. This section discusses the developments which preceded the introduction of the Anti-Inflation Program.

In the mid-1960's rising prices, and specifically the rapid advance of wages and unit labour costs over prices and profits, prompted investigations into the causes of inflation and the prospects for developing a program of wage and price guidelines. In addition to its own research on the problem of price stability, the Economic Council also commissioned a study by D.C.Smith entitled Income Policies: Some Foreign Experiences and Their Relevance for Canada, published in 1966.

During the same year industrial conflict and a number of high, trend-setting wage settlements, including the construction trades at Expo, the St. Lawrence Seaway workers, and the Autoworkers in Ontario, prompted the federal government to establish the Task Force on Labour Relations. In its subsequent report (December 1968), the Task Force investigated the relationship between collective bargaining, union and corporate 'market power' and inflation. The issues of inflation and guidelines also entered the political arena. In October 1967 Mitchell Sharp, the Minister of Finance, reversed his previous position and publicly declared the need for voluntary wage and price guidelines.

However, despite investigation and some trial political balloons the federal government did not take any serious action. Smith's study pointed out several major obstacles to introducing a formal incomes policy. Three of these should be mentioned here. First, "Canada's federal structure severely limits the central government's power on labour matters and on the regulation of prices ... ". Second, the "decentralisation of labour and management institutions would lead to greater difficulties in achieving a national consensus on the criteria of an incomes policy and would restrict the role that leaders of economic interest groups could play in committing their members to the machinery of an incomes policy ...". And third, while the openness of the economy had not proved a major deterrent in most European cases, "in the Candian case, there are close ties between management and labour policies in Canada and in the United States, high labour mobility across the borders, and a strong direct influence of wages and prices in the United States. These links greatly limit the scope of an independent policy."[24]

For all of the above reasons Smith concluded: "Undoubtedly there would be very serious difficulties and dangers to the development and implementation of official criteria for incomes policy in Canada at this time".[25] The Economic Council agreed with this conclusion. "A formal incomes policy would not be an effective way of meeting the problems in Canada, except possibly under rare emergency conditions and then only on a temporary basis".[26] Both the Economic Council and the Task Force took the view that as "a practical matter the opportunities for some form of direct influence over prices and incomes are very limited and ... any improvement in our ability to maintain price stability at high levels of employment will come mainly from improvements in labour mobility, more intense competition, the removal of barriers and similar policies".[27] The Economic Council consistently argued that primary importance should be given to longer term policies to correct market imperfections rather than the more superficial and questionable approach of introducing an incomes policy.

During 1966 and 1967 the federal government was in general agreement with these conclusions. However, as the rate of inflation began to accelerate again toward the end of 1968 and the distributional struggle intensified, the government was forced to take more visible and concerted action. In December 1968, the White Paper, "Policies for Price Stability" was tabled in the House of Commons and on May 20, 1969 the Prices and Incomes Commission was formed under the chairmanship of John H. Young. As an alternative to formal wage and price guidelines, Smith had proposed "a high quality independent research body" which "would have considerable freedom to focus on particular wage and price developments and a broad set of private and public policies that effect them".[28] The mandate of the Prices and Incomes Commission was roughly similar to Smith's recommendations. The Commission was instructed to " ... discover the facts, analyse the causes, processes and consequences of inflation and ... inform both the public and the government on how price stability may be achieved ... It will be empowered to undertake research and enquiries and issue periodic reports on current trends and prospects for prices, costs, incomes and productivity for the economy."[29] The Commission did not have any statutory powers to set or enforce wage and price guidelines, either on a general or a selective basis.

Under these vague terms of reference it was not immediately clear what role the Prices and Incomes Commission would play.

In July 1969 this was clarified, when a memorandum issued by the Commission declared it would "Undertake as a matter of urgency the task of attempting to organise nationwide support for a concerted effort to gear down the rate of price and income inflation in the Calender year 1970". To this end "agreement would be sought among as broad a representation as possible of labour and business organisations, provincial governments and the federal governemnt on the package of measures required."[30] The Commission proposed that having first established a consensus on the program of voluntary restraint a Conference on Price Stability would be held in Ottawa at the end of 1969, in order to ratify agreement between the various interest groups and initiate the restraint program. At this point the issue of incomes policy was transformed from a matter of research and public debate into an active state-sponsored campaign to develop and implement a program of voluntary wage and price controls. Although in the three years of its existence the Prices and Incomes Commission carried out extensive research, the central focus if its activities and the largest proportion of its resources were directed at propaganda and agitation to develop and impose a program of restraint.

During August and September 1969, the P.I.C. initiated separate discussions with different constituencies. Business and labour were open to discussions but remained uncommitted.

The first round of talks culminated in a tripartite meeting in September. "At that meeting, attended by approximately 80 persons there was an attempt at consensus, but it was evident that it was going to be difficult to obtain".[31] Despite the uncertain outcome of informal consultations in September, the P.I.C. introduced a "Suggested Outline of Arrangements" which included both wage and price criteria. "...business enterprises would be asked to agree to set their prices at levels no higher than could be shown necessary in order to prevent serious impairment of their profit position".[32] The wage criteria was more precise, setting a 5% ceiling on wages indexed to any rises in the CPI higher than 2.5%. In October when the purpose and intent of the program had become clear the CLC and the CNTU issued a joint statement rejecting the proposals as unworkable and inequitable. Arguing that the price criteria were both vague and impossible to enforce, they proposed a complete freeze on prices over a one or two year period.

Given the orientation of the P.I.C., labour's rejection of the proposed restraint program was a major setback. At this point the "Commission seriously considered suspending all of its activities dealing with the formulation of a national program to combat inflation, since it would not have the support of an important segment of the Canadian population. On the other hand, it was encourgaed to continue to explore this kind of approach, particularly by the leaders of business and industry, and by the Federal government".[33] Thereafter the Commission continued the effort to concretise the program of price restraint without the participation of organised labour. In the months prior to the Conference on Price Stability, held in February 1970, the P.I.C. obtained tentative support from all the major business organisations, as well as a commitment from the federal government to pursue economic policies consistent with the goal of lowering the rate of inflation.

The National Conference on Price Stability was attended by "approximately 250 leading representatives of business ... along with observers from the major professional associations".[34] In launching the program of restraint for 1970 the conference accomplished three things. First, in the interests of "persuading others of the need to restrain wage and salary costs", it was agreed that price increases would be less than required to cover rising costs. In other words business committed itself to partially absorbing rising costs. Second, in a little more than one day, the participants established criteria for measuring the extent to which cost increases were being absorbed, and what constituted a serious hardship with respect to profit levels. And third, having voluntarily agreed to the P.I.C.'s program, the business representatives committed their firms to the investigation and price review machinery of the Prices and Incomes Commission.

Following the Conference on Price Stability, the Commission conducted a public campaign during 1870, backed by the formal support of virtually the entire business community, and both levels of government. In addition to speaking engagements, regular media exposure, and highly publicised price investigations, the campaign also included anti-inflation commercials on radio and television. "In April 1970, more han five million 'stuffers' entitled Fight Inflation --Save Jobs were distributed through the telephone system billings to create public awareness of the program and to encourage public support for its goals".[35] Taken together these efforts amounted to a massive propaganda campaign.

In the course of its activities, the P.I.C. emphasised the need to avoid 'searching for the guilty party' in the fight against inflation. In his address to the conference on price stability, John Young cautioned business representatives to avoid open attacks on organised labour. During the spring of 1970, when the P.I.C. was still actively encouraging labour to participated in the restraint program, Young remained relatively circumspect in his criticism of the labour movement. However, when labour persisted in its refusal to participate, "as a last resort, the Commission, on June 5, 1970, unilaterally proposed a set of wage and salary guidelines. The guidelines involved a 6% rate of increase of wages and salaries, consisting of 3.5% to offset expected price increases, and 2.5% for national productivity. This unilateral proposal failed to receive enthusiastic support from all the provincial governments, and not surprisingly, further antagonised the labour movement. However, the Commission proceeded to establish a compensation review division to administer the wage and price guidelines".[36]

The announcement of the wage guidelines coincided with the postal workers' contract negotiations and one analysis commented: "It is extremely difficult to understand the timing of the wage guidelines particularly in the light of an earlier report by a conciliation board which had recommeded a postal settlement in excess of 6%."[37] In fact the timing of this move is not so difficult to comprehend. It marked an intensification of the campaign against the labour movement and gave evidence of the federal government's willingness to impose the guidelines on state workers. In both respects it was a morale booster to the business community which reserved a special emity for public sector workers and public sector wage settlements. In September when the postal workers settled for a 6.8% wage rise in the first year of the contract, John Young warned: "Cost increases will have to decline or the country is going to be faced with a hard choice among three possibilities -- continuing high unemployment, severe inflation, or mandatory controls".[38]

At the end of 1970 the P.I.C. proposed a further extension of the restraint program. However, business almost unanimously rejected the proposal.[39] Together with the obvious intention of the federal government to reflate the economy, business opposition forced the P.I.C. to abandon its public campaign and revert to its research functions. Following the failure of the voluntary restraint program during 1971 and 1972 John Young argued that some form of mandatory controls would be necessary in the future. But in the midst of the strong upswing this was an unpopular argument. An article in the Financial Post during the first week of January 1972 entitled "No Need for Controls So Far" expressed the view of the business community; " ... there is an urgent need to get profit margins up once again. Selling prices were held down artificially during the 1970 period of voluntary restraint -- and in the process profits were badly eroded".[40] When the P.I.C. submitted its final report in June 1972, wage and price restraint was a widely unpopular policy option.[41]*

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*On the heels of the P.I.C's failure to develop an effective restraint program the Senate Standing Committee on National Finance published its report which concluded "Controls are one of the least desirable of economic stabilisation tools". The Senate Standing Committee stressed the extreme difficulty of gaining broad public support for a program of controls. It argued that traditional fiscal measures, and particularly a higher level of unemployment, provided a more relaible means of containing inflationary pressures. 42

By its own criteria the Prices and Incomes Commission was a failure. Most importantly it failed to achieve the broad consensus, specifically the willing participation of the labour movement, which was considered the prerequisite to implementing an effective program of voluntary restraint. The credibility of the Commission was enhanced by the decline in the rate of inflation during 1970-1971. Both the Commission and business spokesmen claimed prices were being held down by corporate restraint. But the price restraint program was nothing short of an out and out scam. The price criteria were vague, price investigations were superficial and specific price reviews were conducted in secret. "Almost all firms which have been investigated have met the pricing criteria simply because of the state of the economy".[43] Slack demand and rising wage costs forced firms to follow pricing policies which were comfortably within the terms of their commitment to the restraint program. The P.I.C. may have affected the timing of price changes in a few particular instance, but the aggregate affect on price levels was negligible and probably non-existent.

However, the real importance of the P.I.C was over the longer run. The first serious attempt to develop a program of restraint established the terms of reference for subsequent initiatives. The restraint program clarified the conditions and the extent to which capitalists were willing to actively cooperate in such a program. The objective of the restraint program was never to limit profit margins or even restrict monopoly pricing powers. The central issue was the willingness of capitalists to coordinate and subordinate their pricing policies to the policy objectives and price review machinery of the state. In the absence of a powerful centralised employers' federation, or similar experiments in the recent past, the P.I.C. played an important role in integrating the major coprorations and the agencies of state economic management into a unified 'mock exercise' on a particular policy question. In this sense the restraint campaign during 1970 1970 was an important consensus exercise between the bourgeoisie and the state. It was the basis of agreement for subsequent attempts to develop a program of wage and price controls.

At the same time the restraint campaign established that labour leaders and the union movement as a whole would not likely participate in a program of restraint which bore any resemblance to the one put forward in 1969-1970. In the light of labour's persistent refusal to participate in the voluntary restraint program, the P.I.C. was the first state agency to raise the possibility of mandatory controls as a serious policy option. "The Commission concluded that it is virtually impossible barring an unprecedented recession to alter (inflationary) expectations without comprehensive price and incomes controls, backed by a monitoring organisation and sanctions for those who do not comply... Although the Commission expressed no great love for mandatory controls, their potential benefit in relation to the costs of alternative policies (in particular restrictive demand management) led the Commission to recommend them as an important policy alternative".[44] This was the most important lesson drawn from the experience of the Prices and Incomes Commission.

During the final stages of its activities, the P.I.C. developed a "contineqncy plan" for wage and price controls. Following the termination of its activities in the summer of 1972, a Prices Group was created under the Department of Consumer and Corporate Affairs to continue work on developing the plan for controls. "Emphasis was placed on developing a proposal for regional administration, preparing an economic review of conditions in which controls might be imposed and examining the type of reporting authorities that would be necessary. In addition the group worked on legislation for the proposed temporary freeze, further developed a public information program and worked on a plan for reorganisation and staffing of controls administration".[45] Until the fall of 1974, the Prices Group assumed primary responsibility for elaborating the controls program.

From 1972 until early 1974 the issue of wage and price restraint was temporarily dormant. However, the sharp rise in the rate of inflation, the even steeper rise in the rate of food price increases, and the 'profit explosion' forced the federal government into action on the question of prices and profits. On May 25, 1973 when food prices were rising at a rate of over 15% annually, the federal government established the Food Prices Review Board. The Board was "given a very restricted research-oriented mandate to provide detailed and timely analysis with regard to price movements amongst food products". To this was added the authority to publish its own reports. In response to widespread criticism that the Board was "toothless", in August 1973 it was given a third mandate; "to inquire into any increase in the price of food items where such an increase may be unwarranted, and where the Board deems necessary, to publish a report thereon without delay".[46] Although the third mandate did little to formally extend the power of the Board, it was interpreted broadly. Taking advantage of widespread popular pressure for action on the question of food prices, the Board thereafter assumed a high profile 'activist' role.

The Food Price Review Board was "created in an atmosphere of public suspicion and hostility about the food system in which the public fastened its suspicion on the manufacturing and especially the distribution end of the food chain". As the Board itself pointed out much of the public believed the Board "was established to stop food price increases". Popular pressure influenced the direction of its research and investigation. "This explains the orientation of much of the Board's work: for example, the two studies on food company profits, the report on energy costs, advertising costs, packaging costs and so on".[47] The Board conducted regular surveys of supermarket prices, investigated and exposed shady retailing practices, processed thousands of individual complaints, and publicly criticised food policy in Canada. It submitted a total of 140 recommendations to the federal government. In all of these activities the Board projected and cultivated the image of an independent and principled 'tribune of the people'. Its chairwoman Beryl Plumptree developed a reputation as an outspoken and honest critic of the food industry. She received numerous public accolades for "telling it like it is" (her motto).

At the same time the Food Price Review Board managed to avoid any basic or systematic criticism of the food industry. Its only criticisms with respect to monopoly market and pricing powers were directed at the monopolistic supply management of the federal marketing boards. On the issue of corporate concentration and private monopoly pricing powers the Board claimed it had inadequate information. Although it existed for over two years and at its peak functioned with a staff of 75, the Board explained that "the abrupt termination of its mandate (on October 14, 1975) prevented it from making greater progress in this key area, particularly with respect to the food processing and retailing sectors, in which too little solid work has been carried out."[48] The limited attention paid to this fundamental feature of food production and food prices is not surprising, since the Board also conceived its function as one of defending the food industry against popular "prejudice and ignorance" and the public desire for "vengeance", "... if as informed people suspected, the problems in 1973 were the result of international supply and demand pressures, then action against the domestic food industry might have proved very ill advised. The Board was able to step into this situation, and by providing facts, avert unjustified actions."[49]

The role of the Food Prices Review contrasted with that of the Prices and Income Commission. Apart from its activities as an ombudsman responding to individual complaints and intervening in specific and narrowly defined instances, the Board made no attempt to directly influence price policies or price levels. Both bodies began with a fairly limited mandate. But with the encouragement of both business and government, the P.I.C. not only established a general price policy, but the machinery and adminstration of the price review program was coordinated with other state agencies and actively assisted by a "number of private companies and firms (which) made staff available for the operation of the program".[50] The Food Prices Review Board was created and functioned primarily as a means of "distracting the public long enough to ride out what was anticipated at a very temporary phenomenon".[51] The influence of the Board over price levels and food policy was restricted by the opposition of farmer organisations and the food industry, which was further reinforced by the refusal of the Department of Agriculture to cooperate or assist in its research activities. The Board was external to the main centers of policy-making and the primary mechanisms of liaison between the state and the food industry. The power of the Food Price Review Board derived primarily from public expectations and it never showed any inclination whatsoever toward mobilising popular support with the objective of regulating or rolling back food price increases. The purpose of the P.I.C. had been to mobilise support and organise the administration of a wage and price program which was intended to supplement the existing stabilisation policies. Notwithstanding the critical and independent stance of the Food Prices Review Board, its purpose was the opposite. Its underlying function was to contain public hostility and de-mobilise consumer opposition.

Until the middle of 1974 the government "continued to believe that mandatory controls were inappropriate in the prevailing economic environment".[52] Soaring profit levels compelled the government to make some further moves in the direction of price and profit controls, including the introduction of the so-called 'anti-profiteering' bill in April 1974, and the appointment of a commission in May to investigate steel price increases. However, these were empty gestures, made exclusively for their public effect. The Liberals continued to rely on the argument that inflation was an international phenomenon which could not be controlled by domestic policies. This was the basis for their public opposition to the Conservative proposals for wage and price controls prior to the July 1974 election. But by the fall of 1974, the economic context had shifted. As international demand slackened and the wage catch-up accelerated, international inflationary pressures were superceded by the domestic wage/price spiral. The federal government reversed its policy position and re-activated the plan for a program of wage and price controls.

For a variety of reasons the government hesitated to move directly to the introduction of mandatory controls. In the first place the uncertain record of incomes policy in other countries, and the failure of the voluntary restraint experiment in Canada, caused many economists and policy advisors to view controls as an undesirable policy option. Among bourgeois economists and politicians there was a formidable current of opposition to the further extension of state intervention in general, and the distortions of natural market forces caused by controls in particular. And where there was agreement on the need for controls, there was considerable disagreement on the form or objectives of a wage and price control program. Simon Reisman, the Deputy Minister of Finance until the spring of 1975, advocated a program of temporary controls which was strictly subordinate to vigorous fiscal and monetary restraint. On the other hand, the 'contingency plan' for compulsory controls was developed around the objective of gradually winding down the rate of inflation over a longer (though unspecified) length of time. This disagreement was one source of the internal Cabinet conflict between the Prime Minister and the Minister of Finance which was only finally settled with John Turner's resignation in the summer of 1975.

Second, it was not at all clear that <u>any</u> program of controls would work in the face of widespread opposition. A study published by the C.D.Howe Research Institute in November 1974, advocated a program of "co-operative restraint" since, it concluded, "no system of restraint could be expected to work without the cooperation of those involved."[53] The experiment with the Prices and Incomes Commission had already produced a definite refusal from organised labour. And it was only in July 1974 that the Liberals were re-elected on the basis of their explicit opposition to direct wage and price controls. Mindful of the potential political disaster of introducing controls in the face of determined opposition, the federal government took the position that it would resort to direct controls "only when there is a public conviction of the need for such action".[54]

Prodded forward by the rapid deterioration of the economic situation, and the rising clamour from the business community for decisive measures, the federal government took steps toward the development of a program of voluntary restraint. In September, the Speech from the Throne announced the government's intention to carry out "a series of consultations with the principal groups in our society -- business, professions, farmers, labour and provincial governments. They will be asked what they can suggest and what contribution they are willing to make to defeat inflation".[55] At the same time an Ad Hoc Committee of Senior Officials on Inflation was created. The Committee formed a task force which subsequently became the Ministerial Inflation Consultations Secretariat. Both bodies worked on the development of a plan for voluntary restraint. In November the Committee proposed a plan for 25 consultative meetings with different interest groups. The state's delegation for these meetings was made up of three Cabinet ministers (Finance, Labour and Industry, Trade and Commerce), as well as one representative from each of the newly created committees.

The consensus exercise during 1975 repeated the experience of the P.I.C. During its first stage, from January to April, the government conducted exploratory meetings with separate groups. The meetings were confidential, and all the participants avoided taking a public position on the issue of restraint. No attempt was made to elaborate a concrete program of restraint and "no party was blamed for the prevailing inflation".[56] One exception to this tentative approach was a speech by John Turner to the Canadian Club on January 28, in which he criticised workers for "pushing for excessive increases in wages and salaries" and raised the possibility of wage curbs.

In response to government initiatives and Turner's remarks in particular, labour leaders reiterated their long-standing opposition to wage controls. William Mahoney, National Director of the United Steelworkers was particularly vehement, declaring that his union "would not accept any form of wage restraint and will bargain for maximum gains this year".[57] On the other hand, labour leaders expressed their willingness to continue discussions and suggested that labour might participate in some as yet unspecified restraint program. Following the first meeting with the government in January, Stan Little, the President of the Canadian Union of Public Employees announced: "We might be prepared to cooperate but we can't provide the cure".[58] The CLC expressed its willingness to cooperate by participating in an exploratory task force organised by the Department of Finance. In March, on the occasion of the CLC's Annual Brief, Joe Morris told "the Cabinet that the labour movement is prepared to play its part in measures that are necessary to deal with the increasingly difficult economic situation".[59]

On the strength of labour's ambiguous response and with the acquiesance of the business community, toward the end of April the government introduced specific proposals into the discussions. It proposed a set of price targets aimed at reducing the rate of inflation by 2% each year, from 8% in the first year of the program to 4% in the third and final year. Wage guidelines were calculated on the basis of the anticipated rate of inflation plus 2% for productivity increases and 2% for what was later termed the Experience Adjustment Factor. The wage ceiling for the first year of the program was thus 12%. Two phases of price and profit guidelines were proposed. In the first year of the program price increases would be allowed to accommodate all cost increases. Thereafter prices would be allowed to rise on a profit margin control system measured against a (yet to be established) base period. At this point the proposal excluded dividends and export prices. Along with these proposals the government also considered some supporting policies which were later included in the Anti-Inflation Program; measures to encourage capital investment, special measures to increase the housing supply, and monetary and fiscal policies which corresponded to the objectives of the restraint program.

Reaction to the proposed guidelines was predictable. With some wavering on the part of the CLC Executive and the leadership of the Public Service Alliance of Canada, once the guidelines became public labour leaders quickly expressed their united opposition to the program. Using familiar arguments they criticised the proposed price and income policy as unworkable, and the specific criteria as inequitable. On May 7, 1975, a meeting of ranking officers of the CLC formalised the Congress' opposition to government proposals and put forward an alternative program. The "9-Point Program" was intended both as a criticism of existing government policies and as a list of pre-conditions which would have to be met before labour would accept the program of voluntary restraint. Although two subsequent meetings were held between labour leaders and the government, the federal government was not about to concede to labour's demands, and labour rejected further discussions on voluntary restraint. Business response was favourable. The Canadian Manufacturers Association pledged to "bend over backwards" to make voluntary restraint work.[60] An editorial in the Financial Post commented that the "proposals for voluntary control of incomes and prices ... could have a useful pupose". It added that had "Ottawa given some firm directives on prices and incomes before now" there would have been a decline in the rate of inflation.[61] After labour's refusal to participate had become clear, business continued to push for voluntary restraint, although it stopped short of calling for compulsory controls.

Following the collapse of the consensus exercise the government continued to hesitate to introduce mandatory controls.

In addition to the reasons already mentioned, the government clearly wished to avoid introducing compulsory controls at a time when a number of major union locals were negotiating new contracts. But by the fall of 1975 the bargaining calendar was somewhat lighter, and the government had become convinced that the further deterioration of the economic climate provided sufficient justification for the introdcution of compulsory controls. On October 14, 1975 the government tabled the White Paper "Attack on Inflation", following Pierre Trudeau's announcement of the program on the previous evening. The Anti-Inflation Board began functioning immediately and the Anti-Inflation Act which came into effect on December 15, was retroactive to October 14. The program incorporated the basic program which had been worked out over the previous four years and the guidelines which had been developed during the previous spring.

The Form and Timing of Restraint

The form and timing of attempts to introduce wage and price restraint was shaped by two general factors -- both rooted in the dynamic of the economic class struggle. In the first place as the rate of inflation became increasingly rapid and unpredictable, the crisis of economic management became progressively more severe. In order to restore some semblance of order to the process of capital accumulation and contain the deepening polarisation of the distributional struggle, the state was forced to attempt to exercise direct control over wage and price developments.

The attempts to formulate a prices and incomes policy were always couched in the neutral language of a 'fight against inflation' and frequently justified in terms of the need to control the market power of big labour and big business. However, as the discussion above has demonstrated, it was not the rate of inflation per se which determined the timing of efforts to introduce wage and price controls. Nor was there ever any serious attempt to restrict the pricing powers of the corporations. The preoccupation with "inflationary expectations" became acute at those points where there developed a conjunctural crisis of capital accumulation. Each successive attempt to develop an incomes policy, 1966-1967, 1969-1970 and 1974-1975, occurred when wages and unit labour costs were rising faster than prices, and squeezing profits. Successive attempts to introduce a program of wage and price restraint were narrowly conceived and thinly disguised attempts to control rising wages. Second, the evolution of attempts at wage and price restraint was mediated by the existing structure of the industrial relations system, and the response of business and labour. Although the proposals for price restraint involved only a very modest infringement on the powers of corporations to set prices, there were nevertheless a number of obstacles to gaining the full support of business. Among these were the decentralised character and limited role played by employer associations and the traditional ideological hostility of capitalists to the further extension of state intervention. As the discussion above has suggested a large part of state efforts prior to the introduction of the Anti-Inflation Program, was devoted to establishing a consensus between the bourgeoisie and the state on the need for controls. In the case of organised labour and the working class, the obstacles to consensus were larger. Since the objective of the voluntary restraint was to contain wage pressures, the other obstacles to labour's willing participation proved insurmountable. The proposed restraint programs were in and of themselves unpalatable to the union movement. And in any case the lack of authority of the main labour central in English Canada, the CLC, made it impossible for the leadership of the union movement to accept such proposals.

A number of the factors which shaped developments prior to the introduction of the Anti-Inflation Program have been discussed in this chapter. The following one examines the climate of industrial relations. It attempts to explain the reasons for capitalists' willing support for voluntary controls, and the conditions which lead to their eventual support for a program of compulsory controls over an extended period. It also examines the reasons for labour's persistent refusal to accept voluntary restraint, even in the face of the threat of compulsory controls. The discussion which follows is intended to fill out the account of the events which preceded compulsory controls. It is also meant to set the context for a discussion of the specific functions and significance of the three year wage and price controls program.

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CHAPTER FIVE: THE BALANCE OF CLASS FORCES

The two previous chapters have explained state attempts to introduce wage and price restraint in terms of the onset of the economic crisis. From the end of the 1960's, the more pronounced tendency toward stagnation, the intensification of the struggle over the rate of exploitation, and the accompanying inflationary spiral, precipitated a crisis of economic management. The federal government responded in two ways. First, it continued to work the main levers of demand management in an attempt to steer the economy between slump and hyper-inflation. Second, it began a reorganisation of the agencies of state economic management and launched a variety of planning initiatives. These initial steps toward planning were intended to boost the rate of capital accumulation and thereby restore the effectiveness of macro-economic policies. But in the mid-1970's, this combination of policy measures was completely incapable of meeting basic growth, price and employment objectives. The federal government was no closer to implementing a coherent program of capitalist planning than it had been a decade earlier. Against this crisis-ridden background the objective pressure to intervene directly into the process of wage and price determination intensified.

During the final years of the 1960's the symptoms of economic crisis were still somehwat muted. Accordingly, the federal government continued to rely primarily on the techniques of counter-cyclical deamnd management. In this context the first serious experiment with voluntary restraint was a short term program with limited objectives. The anti-inflation campaign of the Prices and Incomes Commission served as a supplementary policy measure aimed at reinforcing the deflationary effects of fiscal and monetary restraint. Once the government shifted back to an expansionary policy stance, the attempt to impose guidelines was quickly abandoned. By 1974-1975 however, the contradictions of economic management had become acute. The crisis of capital accumulation (inflation/stagnation) necessitated a radical restructuring of the framework and objectives of state economic management. The advent of the recession forced the state to launch a search for new policy measures which would raise the proportion of social production accruing to capital.

Within the increasingly narrow constraints of capitalist rationality, state action was limited to basically two policy options: severe fiscal and monetary restraint or wage and price controls. The former option was the most direct means of confronting the capitalist crisis. In its most extreme forms this approach, advocated by right-wing economists, amounted to abandoning all efforts to manage the economy, in favour of allowing the crisis to follow its own course, regulated only by the discipline of the market. But despite its theoretical appeal, drastic restraint was the most dangerous policy response. The general polictical conditions necessary to move directly to a program of harsh restraint simply did not exist. It was extremely doubtful that the Liberal government could implement, much less survive the consequences, of a policy orientation which deliberately prolonged the recession, deepened the crisis of capital accumulation, and forced up already high levels of unemployment. In addition to the danger of provoking a profound social polarisation, severe restraint would inevitably sharpen the regional and national divisions which were already threatening the political hegemony of the Liberal Party, and indeed the stability of the Canadian state. Regional/fractional divisions within the capitalist class, federal/provincial conflicts over taxation and equalisation payments, and the rise of the popular movements in Quebec, all combined to restrict the capacity of the federal government to launch a "national" austerity drive based exclusively on fiscal and monetary restraint. As a result, the Liberals opted for compulsory controls. Of course controls did not eliminate the role and functions of fiscal restraint. In fact the longer term shift to monetarist and supply-side economic policies was begun with the introduction of the Anti-Inflation Program. But during the three years of its existence, the program of compulsory controls served as the <u>primary</u> policy response to the crisis of economic management. At one and the same time, it was the organising instrument for a coordinated attack on the wage levels and living standards of the working class.

Successive attempts to impose wage and price guidelines flowed from the logic of the developing economic crisis. But as the discussion in the last chapter has already suggested, state efforts to introduce controls were constrained by a whole complex of factors. Wage and price restraint represented an intervention into the operation of the economy which extended beyond the established functions and prerogatives of the state. And it was clear from the beginning that no program of guidelines, 'voluntary' or otherwise would be imposed in the face of widespread opposition. Apart from the political hazards of attempting to implement an unpopular program, the administrative difficulties involved in policing thousands of wage and price decisions necessitated relatively broad support or at least grudging acceptance of the need for controls. Consequently, attempts to develop a program of guidelines were structured around the problem of circumventing the resistance and organising the political and economic 'consensus' which was a prerequisite to actually implementing the machinery of wage and price controls.

The attempt to organise the social consensus necessary to impose controls was shaped and limited by contradictory class pressures. On the one hand, in every essential aspect state intervention was dependent on the active support and participation of the dominant capitalist interests. In the first place, it was necessary to clarify the objectives of controls in relation to the crisis of capital accumulation and the changing priorities of state economic management. Second, it was necessary to coordinate state initiatives with the immediate interests of the business community. The response of the business community was the crucial determinant in providing impetus to state intervention, formulating specific wage and price targets, conducting the so-called consensus talks with labour, and the eventual decision to impose mandatory controls. On the other hand state intervention was circumscribed by the prospect of working class and popular opposition. The immediate obstacle to a program of restraint was the persistent and almost unanimous opposition of organised labour. Labour's opposition eroded the political legitimacy of state initiatives and presented a major administrative obstacle to effectively implementing any form of controls. Thus within the narrow limits of state policy objectives and business interests, successive attempts were made to induce organised labour to participated in a program of voluntary restraint. Related to the problem of winning support from organised labour was the task of organising popular support. Particularly beacuse attempts to organise an <u>economic</u> consensus failed, the precondition to imposing a workable program of controls was the existence of a broader <u>political</u> consensus. As the Prices and Incomes Commission concluded, "the public must be convinced that such measures are necessary and that there exists on the part of government a strong determination to make them operate as effectively and equitably as possible".[1] Consequently each attempt to introduce restraint was accompanied by a state-sponsored propaganda campaign intended to impress upon popular consciousness the necessity and the desirability of wage and price restraint.

The first attempt to impose guidelines was a failure. Despite the joint efforts of the Prices and Incomes Commission and the business community, the campaign for restraint was unable to curb trade union miilitancy or reverse the pattern of rising popular expectations which had gathered momentum throughout the 1960's. The only explicit opposition to the proposed guidelines came from organised labour. However, there were several broad features of the economic and political conjuncture during 1969-1971 which reinforced labour's opposition, contributed to a certain inertia of popular resistance, and narrowed the federal government's margin for political maneouver. The campaign for voluntary restraint failed to generate any public enthusiasm and consequently it never moved much beyond the level of propaganda. Following the collapse of the voluntary restraint program, a combination of factors made it difficult if not impossible for the federal government to impose statutory guidelines.

By contrast the second attempt to impose controls occurred under different economic and political conditions. Despite a high level of economic militancy among organised workers, and the continuing refusal of labour leaders to participate in voluntary controls, other developments favoured state intervention. Particularly among the broad layers of unorganised workers who were hardest hit by the economic crisis, the inflationary erosion of wages and higher levels of unemployment had begun to undercut the expansionary expectations of the late 1960's. Simultaneously the business community launched a coordinated counter-offensive aimed at rolling back previous wage gains and reversing the advances made by the trade union movement in the 1960's and early 1970's. The momentum of these developments was further reinforced by the accelerated shift to fiscal austerity on the part of both provincial and federal governments. In the developing climate of economic and social austerity, a substantial majority of Canadians favoured the imposition of mandatory controls. Majority support paved the way for the tabling of the "Attack on Inflation" and the subsequent operation of the Anti-Inflation Board.

The first part of this chapter considers the main aspects of working class and popular opposition which together blocked the attempt to develop a program of voluntary restraint, and after 1975 continued to pose the main poilitical and administrative obstacles to the effective operation of compulsory controls.

It begins with a brief discussion of industrial conflict and trade union militancy, and is followed by an examination of the response of labour leaders, specifically the CLC, on the issue of controls. Finally it considers some of the main features of the political conjuncture in which the first experiment in Guidelines was defeated. The second part of the chapter examines the factors which contribued to a broad shift in the balance of class forces. It examines the character of the employer offensive and the accompanying developments which established the political basis for the imposition of compulsory controls.

Part I: Obstacles to Wage and Price Restraint

Industrial Conflict/Trade Union Militancy

The pattern of industrial conflict was shaped by the structure of post-war industrial relations. Various writers have indentified the structural deficiences of collective bargaining in Canada; the decentralisation and shallowness of the bargaining process, severe limitations on the freedom to strike, and the persistent, at times irrational hostility of employers towards any form of union organisation.[2] These factors have combined historically to produce an inherently unstable system of labour relations which is highly sensitive to changes in the economic environment. While the legal framework of collective bargaining has effectively limited the growth and the authority of trade unions, it has also acted to encourage a certain degree of institutionalised economic militancy within the union movement. Confronted with an inflexible and repressive system of bargaining, unions are often forced to rely heavily on strikes and the strike threat as their primary bargaining weapon. Not only are strikes the main tool of wage bargaining, they are also the most effective means of struggle over other issues. The system of conciliation and arbitration consistently upholds the "residual rights" of employers over virtually all questions related to job security and the quality of the work environment.[3] Since with some exceptions the political arm of organised labour is extremely weak, strikes have become the preferred method of struggle on such issues as union recognition, cost-of-living adjustments and job displacement through technological change. For their part, employers have come to expect and anticipate work stoppages during contract negotiations. The fact that strikes are predictable months in advance allows management to take steps to minimise the damage of prolonged shutdowns. For the rest, employers have traditionally relied on a whole body of repressive legislation, and the wllingness of the state to intervene where conflicts have become serious as an effective substitute for bargaining in good failth.

The narrowness of the bargaining process and the limited institutional accommodation of organised labour, produced a post-war system of collective bargaining in which strikes continued to be an important feature of industrial conflict. Serious contract bargaining often does not begin until workers have taken a strike vote or even until workers have been on strike for several weeks. While the law limits the frequency of strikes, this restriction has reinforced the propensity of unions to strike when the legal opportunity arises. Unions in Canada have learned through experience that the capacity to conduct a prolonged strike is the precondition for accomplishing the basic objectives of trade union organisation. To a considerable extent the credibility of union leaders in the eyes of the membership, and the organisational integrity of unions in relation to employers, hinges on their ability to organise successful strikes.

Given the structure of collective bargaining it is not surprising that developments in the 1960's and 1970's precipitated a sharp rise in the levels of strikes and lockouts. As the discussion in Chapter Three explained, the axis of industial conflict was the cyclical intensification of the distributional struggle. But as the polarisation of the wage/price conflict deepened it also encompassed other questions which had assumed new prominence during the expansion of the 1960's. Struggles over union recognition, the accelerated rate of technological change, industry-wide bargaining, industrial health and safety and demands specific to the rapid entry of women into the workforce all contributed to ballooning strike levels, while broadening the battle-front of labour-management conflict. In Quebec the sharpening of economic struggles coincided with the development of a mass working class based independence movement. Economic and political struggles became partially fused. All of these developments found expression in a succession of strike peaks, and a new attitude of militancy and combativity throughout the ranks of the union movement. This section examines the pattern of strike activity, and related expressions of trade union militancy. It attempts to draw some general conclusions about the role of economic militancy in the struggle over wage and price restraint.

Table Nine: Strikes and Lockouts in Canada, 1960-1979[4]

Year	Number	Workers Involved	Person-Days Lost	% of Estimated Working Time
1960	274	49,408	7,738,700	0.06
1961	287	97,959	1,335,080	0.11
1962	311	74,332	1,417,900	0.11
1963	332	83,428	917,140	0.07
1964	343	100,535	1,580,550	0.11
1965	501	171,870	2,349,870	0.17
1966	617	411,459	5,178,170	0.34
1967	522	252,018	3,974,760	0.25
1968	582	223,562	5,082,732	0.32
1969	595	306,799	7,751,880	0.46
1970	542	251,706	6,539,560	0.39
1971	569	239,631	2,866,590	0.16
1972	298	706,474	7,753,530	0.43
1973	724	348,470	5,776,080	0.46
1974	1,218	580,912	9,221,890	0.46
1975	1,171	506,443	10,908,810	0.53
1976	1,039	1,570,940	11,609,890	0.55
1977	803	217,557	3,307,880	0.15
1978	1,058	401,688	7,392,820	0.34
1979	1,050	462,504	7,834,230	0.34

As the table above indicates, the number of strikes, the number of workers involved, and days lost, jumped sharply in the mid-1960's and again beginning in 1973. Strike levels peaked in 1966, 1969-1970, 1972 and 1974-1975. The extremely high total of days lost to work stoppages is often explained in terms of the characteristically lengthy duration of strikes and lockouts in Canada. But while this factor partly explains the generally high figures for time lost, it does not explain the rising trend. In fact in the decade from 1968-1977 the average length of disputes (14 days) actually declined somewhat over the previous two decades. Nor can the increase in time lost be adequately accounted for in terms of the growth of trade union oraganisation. While union membership doubled, time lost increased by almost five times from 1965 to 1975. The most important variable in the rising levels of work stoppages, and the most siginificant feature of strike conflict in the 1960's and 1970's, was the sharp increase in the proportion of workers involved in strikes and lockouts. Expressed as a percentage of the total non-agraicultural work force, the number of workers annually involved in strikes rose to 4.5% between 1966 and 1970, 6.1% between 1971 and 1975, and 8.7% in 1976 (17.2% if the Day of Protest is included).[5] Roughly calculated as a proportion of the unionised work force, these figures represent between 13% and 25% of all unionised workers. This was a massive increase in the level of strike participation.

Reflecting the underlying fragmentation of the Canadian political economy, and wide differences in rythms and character of industrial conflict, each strike wave tended to be concentrated in one (or more) specific regions. The center of strike conflict in 1966-1967 was Ontario. In the period from 1966 to 1970 Ontario contributed almost half of all time lost nationally. Several large strikes, predominently in transport and primary metals, in turn accounted for half of all time lost in Ontario. During the early 1970's the center of strike activity shifted to B.C. and Quebec. Between 1971 and 1975 B.C. accounted for 20% of all time lost nationally while only 10% of national employment fell within this jurisdiction. Paid workers involved in strikes increased to 8% and days lost to work stoppages annually increased to 1.78 per wage and salary earner. During 1976-1978 the proportion of workers involved in strikes rose to 15% and days lost per wage earner to 2.11. Strikes in B.C. were concentrated in manufacturing and wood and paper products. Throughout the same period, strike levels were disproportionately high in Quebec. The struggles around the Common Front initiated a new phase of industrial conflict which culminated in 1976-1978 when Quebec accounted for 44% of all time lost nationally. In that period 9% of all paid workers were involved in strikes. But the real indication of the scope of industrial disputes was the extremely high, 4.05 days lost to strikes per wage earner. While the strike wave in Quebec was broad, the highest levels were registered in construction, the public sector and mining.[6]

The main sectoral development was of course the entry of state workers into the arena of industrial conflict. In the late 1960's, taking advantage of newly won bargaining rights and the rapid growth of state employment, public sector workers pressed for wage parity with unionised workers in the private sector. Job comparability and the existence of low wage ghettos populated by a high proportion of women workers, became major issues of labour management conflict. After 1970 the sharp decline in relative earnings among all levels of state employees, aggravated conflict on these points and provoked increasingly frequent strikes in the public sector. These strikes involved large numbers of workers (particularly women) with no prior experience of industrial conflict. From the 1966-1970 period to 1976-1978 days lost under the categories of service and public administration, though still low compared with mining, manufacturing and construction, increased by over five times.[7] The example of federal employees illustrates the broader pattern. In 1970 81% of the 225,000 federal employees chose binding arbitration in their contract negotiations. The other 19% was made up almost exclusively of the major postal unions. By 1975 compulsory arbitration "was becoming increasingly unacceptable under the prevailing economic and social conditions."[8] As the bargaining stance of state employers hardened, public sector strikes also became more protracted. Within the federal jurisdiction as a whole, time lost to strikes during 1976-1978 rose to 3.12 days per employee, over four times higher than the preceding decade.[9]

As the frequency of strikes increased unions also demonstrated greater willingness to adopt forms of industrial struggle which extended beyond the boundaries of legality. Analysing the characteristics of the 1966-1967 strike wave, Arthurs and Crispo commented; "Accepting the fact ... that disrespect for the law is to some extent endemic to labour relations, the present situation seems to have brought the underlying tendency toward lawlessness to the surface."[10] Observed Jamieson; " ... a notable feature of the strike wave of the mid-1960's was the unusual lengths to which the labour movement appeared willing to go in defiance of law and order ... Numerous strikes were sanctioned by union officials before having gone through the legally required conciliation procedures. There was also a concerted campaign by a number of central union bodies, particularly in Ontario and B.C., against the use of injunctions in labour disputes. Several prominent union officials in both provinces were arrested and sentenced to lengthy prison terms for contempt of court for having sanctioned or participated in illegal strikes or picketing activities in violation of court injunctions".[11]

Following the broader pattern of strike activity, the center of violent conflict shifted to Quebec in the early 1970's. "The widespread violence and illegality that had accompanied the earlier wave of strikes were largely absent in Ontario during the second round (1969-1970). In Quebec however, they reached new peaks of breadth and intensity during the latter half of the 1960's and the early 1970's. A number of relatively small but prolonged disputes, as well as several major shutdowns, generated numerous incidents of violence and property damage, mass demonstrations, confrontations with police and accompanying personal injuries, and in a few cases death".[12] Jamieson cites several incidents of violent struggle which preceded the formation of the Common Front. In the aftermath of the 1972 Common Front strike, "a series of walkouts (occurred) across the province in an attempted general strike, in the course of which there were numerous instances of violence, property damage and plant seizures".[13]*

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*Jamieson and other liberal commentators regularly refer to violations of the law and inpingements on the rights of private property as "violence". The blanket application of this value-laden term lumps together widely different forms of activity. Moreover it systematically understates the positive content of many forms of worker militancy. For instance during the period of the Common Front, hospital workers conceived of the tactic of the 'administrative strike'. Rather than simply withdraw their labour, hospital workers reorganised the delivery of this essential public service under their own administrative control. This is only one example of the extent to which many forms of worker militancy, from wildcat strikes to plant occupations to the production of goods and services under workers control, prefigure new forms of social organisation.

Although industrial conflict assumed somewhat less concentrated and spectacular forms in later years, the same trends were visible in the mid-1970's. As Walter Johnson has pointed out, inflation, the drive for industrial austerity, and the subsequent imposition of wage controls together "compelled many workers to take aggressive, direct action to deal with their problems. This was most evident in industries (automobile, steel, mining, paper) where the work process is the most highly rationalised and strictly controlled. It was here also that the forms of protest were the most innovative. Apart from the usual incidents of slowdowns, sitdowns and wildcat strikes, there were a few cases, particularly in Quebec, where workers actually occupied their plants to protest working conditions, health and safety issues, speed-ups and technological change".[14] Johnson documents several major disputes which developed outside the framework of legal constraints which normally defines the parameters of industial conflict. Three of these, at United Aircraft at Longeueil (1975-1976), Domtar in East Angus (1976) and General Motors in Ste. Therese (1977) involved plant occupations.

The widespread emergence of advanced forms of industrial struggle was specific to Quebec. In the context of the rapid advance of the independence movement, the objectives of unions and union locals were often linked to and informed by a whole program of social and economic demands. At the same time the forms of trade union struggle frequently represented an open challenge to the sanctity of private property and the authority of the state. At a glance it is obvious that no comparable developments occurred in English Canada. In comparison with Quebec the scope of union demands was narrower and the forms of union conflict remained more definitely within the framework of laws and institutions which "force employers and unions to conduct collective bargaining and economic warfare according to the rules which are enshrined in our labour relations acts".[15]

But while the forms of industrial conflict in English Canada were generally more restricted, specific disputes reflected the same tendency which was more widely visible in Quebec. Foremost among these was the protracted struggle of the Canadian Union of Postal Workers against arbitrary and incompetent management, and the attempt to impose sweeping technological changes at the expense of the inside postal workers. Through a succession of strikes and legal confrontations during the early 1970's, the postal workers came to represent a militant left-wing pole within the union movement as a whole. During the latter part of the decade CUPW was the first union to advance a coherent strategy of union mobilisation against employer and state attacks. In the mid-1970's the three major Steelworkers locals in Ontario, as well as the International Woodworkers and the Canadian Paperworkers

Union in B.C. and Ontario, were involved in a series of coordinated struggles to impose centralised bargaining on their respective employers. Following the imposition of wage controls several large union locals in one-industry towns led the fight against the Anti-Inflation Board. In the course of strikes launched in defiance of the actual or anticipated ruling of the Board, Alcan workers in Kitimat B.C., miners in Thompson Manitoba and Elliot Lake Ontario, defied the police, the courts and union leaders in their efforts to shut down production. In varying degrees these and other disputes were distinguished by the broadening of the range of union deamnds and the adoption of new and untried tactics of industrial struggle.

Closely associated with the developments described above, was the rise of rank and file militancy. As earlier discussion has pointed out the combination of rapid economic expansion coupled with the growth of union organisation into new areas of employment brought about a general recomposition of the union movement. These changes converged in the emergence of a relatively broad-based radicalisation which first became visible in the mid-1960's. In 1967 Arthurs and Crispo pointed out that the recent wave of industrial conflict was "characterised by militancy that is less the product of union leadership than the spontaneous outbreak of rank and file restlessness".[16] In the decade which followed 'pressure from below' became one of the most important determinants in the process of formulating wage and other contract demands, as well as deciding more general matters of union policy, leadership and orientation. Throughout this period union leaders regularly complained of the "confidence gap" between leaders and members, and the attendant difficulties of negotiating a collective agreement under pressure from a militant and sometimes hostile rank and file.[17] From time to time rank and file militants bypassed established procedures and union leaders altogether, initiating workplace struggles, wildcat strikes, and related forms of collective action.

The cyclical increase in contract refusals and wildcat strikes provides some indication of the extent of rank and file militancy. Data on the frequency of membership refusals to ratify negotiated settlements, is extremely scarce. But labour mediators, journalists and labour officials all pointed to the rising trend of contract rejections. In 1967 Arthurs and Crispo concluded that "membership refusal to ratify agreements has been a central issue in several cases, notably steel, packinghouse and transportation industries".[18] In 1968 The Task Force on Labour Relations observed; "Although limited, concern over contract rejections is undermining confidence in collective bargaining itself, and causing a questioning of the role of union leadership, the nature of union office, and inevitably the reliability of undertakings given at the bargaining table".[19] As the conflict over wages and cost of living provisions intensified during 1974-1975 contract refusals became widespread. In 1974, Mike Rygus, Canadian Director of the International Association of Machinists said; "The expectation of union members are so high ... (negotiators) don't know the proper amount to settle for. Look for example, at the offers being rejected".[20] This situation was common to most unions. A 1975 Labour Canada study concluded that among 149 cases in federal jurisdiction where the Conciliation and Arbitration Branch intervened, 23.9% involved a rejection of the negotiated settlement.[21] In 1975 it was widely acknowledged that "members are well out in front of the leaders in terms of wage demands, as evidenced by the huge percentage of rejections of negotiated settlements.[22]

Illegal strikes followed a similar pattern. Jamieson has estimated that during 1966, 210 out of a total of 667 strikes were in the category of wildcats. He adds that, diverging from the post-war pattern, wildcat strikes included "some of the largest and costliest disputes. Outstanding among these were strikes in railway, postal services, trucking, primary steel and smelting".[23] As Table Ten (page 182 below) indicates, both trends continued in the years that followed.

Table Ten: Work Stoppages By Contract Status, 1968-1978[24]

	During Negotiation of First Agreement or Union Recognition		During Renegotiation of Agreement		During Term of Agreement	
	% Workers Involved	% Days Lost	% Workers Involved	% Days Lost	% Workers Involved	% Days Lost
1968	2	3	33	95	14	2
1969	2	3	79	94	18	3
1970	2	3	79	94	28	3
1971	3	6	66	85	31	9
1972	1	1	93	95	7	4
1973	2	3	73	93	25	4
1974	1	3	44	77	54	20
1975	2	4	64	85	33	9
1976*	-(1)	2	42(8.9)	87	57(10)	10
1977	3	6	62	84	35	10
1978	77	3	66	92	33	5

*Figures in bracket exclude "Day of Protest" -- less than 1%.

Note: Percentages may not add up to 100 due to rounding off and exclusion of figures on work stoppages in other circumstances.

The category of strikes occurring "during the term of agreement" groups together widely disparate forms of industrial conflict, which developed around issues ranging from particular aspects of existing collective agreements, to contract re-negotiations, to conflict originating on the shop floor. Illegal strikes include those which are planned and initiated by union leaders prior to a strike deadline in order to gain some advantage at the bargaining table. They also include more genuinely spontaneous work stoppages initiated and conducted by union members over such questions as firings, health and safety, and the work environment. These two different forms of illegal strike, and every form in between, involve different degrees of rank and file militancy and different levels of membership involvement. In this respect the figures above provide only a very rough measure of the scope and intensity of rank and file militancy. However, on balance the rising frequency of illegal work stoppages undoubtedly indicates increased pressure from below, and a much higher level of membership participation as compared with more routine legal strikes. For a variety of reasons union officials are generally reluctant to initiate any form of illegal industrial action. To the extent that they do, it is frequently in order to maintain political credibility in the eyes of union members.

The peak levels of frequency and time lost in 1974 can be accounted for largely in terms of the impact of inflation. The accelerated erosion of wage levels triggered a broad movement for a reopening of existing contracts, increases in basic wage rates, and the introduction or improvements of cost-of-living provisions. As Jean Gerin-Lajoie, Director of the United Steelworkers District 5 noted; "The generalised acceptance of periodic contracts ... is being revised in the face of personal disorders of family budgets and also in the face of the general scenery of economic disorders gone wild, panicky and panicking ... Thousands and thousands of workers in scores of mines and plants are choking with frustration and anger".[25] Under enormous pressure from the rank and file many union leaders were compelled to sanction work stoppages to force companies to reopen contract talks. It was a measure of the intensity of rank and file union pressure that some of the more far seeing (and profitable) corporations pre-empted walkouts by voluntarily reopening contract negotiations.[26]

Wage Restraint and the Labour Leadership

The late 1960's and early 1970's produced broad changes within the labour movement. In Quebec, the quiet revolution followed by a general intensification of the class struggle, brought about a complete transformation in organisational structure and a radical shift to the left in the social orientation of the trade union movement. Again, in English Canada changes were less dramatic but developed in a similar direction. Along with the rise of rank and file militancy, the growth (marked by the emergence of large and in some cases militant public sector unions), disrupted the equilibruim which had been established toward the end of the 1950's. Without attempting to describe these changes in detail there are two general features of the union movement which should be mentioned here. Separately and in combination these developments set the context for the response of the labour leadership to proposals for wage and price restraint.

First, coincident with the more frequent and more overt forms of industrial conflict was the development of an atmosphere of militancy and to a limited extent political radicalisation which extended throughout the union movement. At the base of the union movement the intensification of labour/management conflict and the accompanying emergence of rank and file militancy drew labour leaders into a tougher bargaining stance. As the center of labour/management conflict shifted, from the grievance procedure to more direct forms of collective actions and from the bargaining table to the picket line, there was a corresponding shift in the balance of power between the union membership and union leaders. A higher level of membership particpation in strikes and related forms of industrial struggle meant that union members exerted a stronger and more direct influence over the process of formulating and pressing for contract demands. Where the rank and file seized the initiative, they frequently forced otherwise cautious and conservative leaders to adopt more militant positions. This was particularly true with respect to wage-related questions. As noted above, pressure from the ranks set the pace for wage bargaining. But it was also true with respect to other questions related to job security, management prerogatives in the workplace, the quality of the work environment. Younger, newer groups in the workforce demonstrated a lower tolerance for the constraints of traditional management/labour relations. These groups were instrumental in broadening the range of contract demands as well as the issues debated within the union movement.

While an underlying current of membership opposition to the existing leadership was characteristic of the union movement during this period, rank and file militancy developed within definite limits. There were few instances of the formation of cohesive rank and file based groups advancing a clear-cut programmatic challenge to the existing leadership and policies. Nevertheless disparate oppositional elements and diffuse sentiments of rank and file hostility played an important role as a source of militant left-wing pressure. Union officials frequently found it necessary to modify their own positions in an effort to accommodate and pre-empt more sustained challenges.

Intersecting and reinforced by the rise of rank and file militancy was the emergence of a more militant and politically radical orientation on the part of some union leaders. National unions and a broader left wing nationalist current within the union movement, attacked American influence and control over the international unions. The Quebec Federation of Labour demanded (and got) greater autonomy within the structure of the Canadian Labour Congress. Emerging as the largest union in Canada, the Canadian Union of Public Employees challenged the established hegemony of the big industrial unions. In varying degrees, each of these conflicts represented a challenge to the old guard and the style of union ledership which had evolved in the post-war period. In the early 1970's oppositional elements converged in the formation of a 'reform current'. Comprised of a number of the more militant union leaders and loosely grouped around CUPE, the reformers criticised specific policies of the CLC and generally put themselves forward as a more radical and left-wing alternative to the conservatism of the existing leadership.

It would be a mistake to exaggerate the depth or significance of the reform movement. Debates over the issues mentioned above were typically conducted at arms length from the union membership and dominated by bureacratic maneouvering and administrative compromise. The so-called reform current for instance, coalesced around an extremely vague program which evaporated completely following back-room deals at the 1974 CLC Convention.[27] But here again these developments exerted a significant if limited impact on the orientation of the union movement as a whole. Criticism against business unionism and the old guard, and demands for a tougher stand were symptomatic of the climate and direction of political opinion which was prevalent in the union movement. Ultimately radical rhetoric did not change the basic structures or policy orientation of the CLC and its affiliates. But tough talk from more militant union leaders(such as Louis LaBerge, Grace Hartman, Shirley Carr and Dennis McDermott) forced conservative union leaders onto the defensive. Toward the mid-1970's, several prominent 'reformers' assumed dominant roles in setting the tempo of labour's response on the questions of restraint and controls.

Militancy at the base of the union movement, and its gradual penetration into the upper levels of the union leadership, effected a reorientation of the union movement across a whole range of economic and social issues. While the federal government was seeking ways to limit the bargaining power of organised labour the unions were pressing for new legislation to guarantee job security and enhance the legal powers of unions. At both the federal and provincial levels the union movement was demanding an extension of the right to strike in the public sector, legislative protection against the impact of technological changes, restrictions on the use of scab labour and other strike breaking tactics and the centralisation of the bargaining process. Coupled with a rise in the political fortunes of the NDP, the tangible political radicalisation in the ranks of the union movement gave new impetus to labour's traditional demands for full employment and social policies which would reduce the most glaring inequalities. In this respect, the bargaining offensive which was developed at the local level, found some expression in a social and political offensive undertaken by regional and national leaders. Particularly during 1968-1971, there was a sharp divergence between the objectives of state intervention and the historical momentum of the trade union movement. While state and business spokesmen were agitating for restraint, the labour movement was aggressively pushing for legislative and contract concessions.

Second, as Kwavnick has noted, central labour bodies have historically been characteristically weak in relation to their largest affiliates.[28] Divisions within the union movement, rooted in the structure of the continental political economy, have been reinforced by the pattern of state intervention. Rife with underlying occupational, regional and national divisions, the CLC for example, has never established itself as an autonomous center of power over and against its constituent unions. Similarly in the big unions in Canada, the centers of power and control over the most important issues of bargaining and union policy rest with the largest locals.

As the polarisation of industrial conflict developed its own uncontrolled momentum, and historical divisions resurfaced, all of the centrifugal forces inherent in the structure of the union movement became aggravated. In the first place, there was the broad shift in the balance of power between the rank and file and the union leadership. Compounding the pressure exerted by the membership, the exacerbation of traditional divisions tended further to weaken the authority of the central labour leadership. Thus while the power of the union movement as a whole undoubtedly increased during the 1960's and early 1970's, the authority of union leaders in relation to their members, and of union centrals in relation to their affiliates, declined. This was a critical factor in shaping the character of labour's response to wage and price restraint. While the CLC periodically declared its eagerness to talk with business and government representatives, its capacity to take any really important policy initiatives was extremely limited. Though many union leaders, under pressure from business and government favoured a conciliatory approach, in most cases any form of voluntary restraint could not be sold to the membership. Any union leader who publicly declared his/her support for state proposals was putting their job on the line.

Caught between the contradictory pressure of business and state proposals for restraint, and opposition to controls originating in the attitudes of the rank and file, the central trade union leadership consistently attempted to find some middle ground. On the one hand, labour repeatedly rejected the actual proposals put forward by the state. On the other hand labour leaders regularly advanced counter-proposals for a program of full employment, redistributive measures, and a centralisation of collective bargaining, as the price of labour's participation in a program of controls. As the debate over the issue of restraint and controls evolved, all of these specific demands became codified in the labour leadership's general programmatic demand for a role in some sort of tripartite social contract with business and the state.

During 1966-1967, when the question of wage restraint was first mooted, the CLC announced its opposition. "Warnings and importunities about wage restraints and guidelines are ... likely to fall on deaf ears. What incentive can there be for workers to exercise restraint when they read of high corporation profits and see every mark of affluence about them in which they are not fully sharing? To the extent that a government lends itself to wage restraint or interferes with the freedom of collective bargaining, that government is to all intents allied with the employers against the unions. Threats of restrictive legislation only serve to emphasise this point".[29] At its 1968 convention the CLC restated its opposition in relatively tough language. In his opening address, CLC President Donald McDonald stated: "It (the government) is now considering a Wage and Price Review Board! It does not take any remarkable degree of sophistication to realise the implications of this proposal. It is part of the old familiar pattern of placing the burden on the backs of the workers. When in doubt, freeze wages ... I know that I speak here as the voice of organised labour when I say that this Congress and the unions represented here will not accept a wage and price policy which is no more than a means of preventing workers from getting their just share of national income. We shall continue to bargain collectively for the higher wages to which we are justly entitled. We shall use all the economic strength at our command".[30]

In 1970, the CLC and the CNTU denounced the project of the Prices and Incomes Commission as "doomed from the start ... We shall not accept guidelines not only because they are unfair and unworkable, but because they pose a threat to the very system of collective bargaining".[31] During the early 1970's, the CLC leadership continued to warn against "the constant threat of controls". At its 1972 convention it passed a resolution that "the facilities of the Congress be used to make the public aware of the real causes of inflation and the inequities that would be created by wage controls".[32] In 1974, when controls became an issue in the federal election campaign, labour leaders campaigned hard against the Conservative Party's proposals for a wage and price freeze. Donald McDonald announced that the CLC would "not even sit down and discuss controls with a Conservative government ... It would be an exercise in hypocrisy".[33] During the election campaign, newly elected vice-president of the CLC, Shirley Carr, took labour's opposition to controls one step further. She went on record as advocating "some kind of national action", either a national strike or slowdown, should the Conservative Party win the election and attempt to impose a wage freeze.[34] When the Liberal government subsequently resurrected the issue of controls, Joe Morris commented; "We know who always gets the short end of the stick when we talk about guidelines -- it's the workers".[35] Early in 1975, when John Turner advanced specific proposals for restraint, the CLC and its affiliates responded with an almost unanimous rejection. The leaders of unions in which a large number of members were entering contract negotiations were quickest to voice their opposition. Henry Lorraine, Canadian Paperworkers Union President, whose 50,000 members were preparing for negotiations, called Turner's proposals "very disturbing" and said he could "not recommend wage restraints with a 12% limit".[36] Lynn Williams, District 6 Director of the USWA, attacked the hypocrisy of government proposals. Linking the issue of controls to unsafe working conditions in the steel industry, Williams declared "it is these working people who are dying ... who John Turner ... has the gall to call on for restraint".[37]

Accompanying these repeated expressions of opposition, labour leaders advanced an alternative interpretation of the role and objectives of incomes policies. The CLC's 1968 Committee on Economic Policy made the following statement to the CLC convention; "Incomes policy is not a device for holding down incomes. Its real purpose is to ensure that there is an ordered increase in incomes under full employment. Above all, it is concerned with redistribution of incomes based on more rationally and socially just principles".[38] Describing the P.I.C.'s program of guidelines "as the grossest form of economic injuctice that could be imagined"[39], the CLC countered with the proposal for a tripartite conference to deal more broadly with issues of inflation, economic inequality, and social policy.

The CLC advanced this proposal as a means " ... to open the way for new, more realistic, and cooperative approaches to our present economic problems."[40]

By its own admission, the CLC was initially somewhat confused in responding to the proposals of the Prices and Incomes Commision. But in 1974-1975 labour's counter-position had assumed a much sharper outline. Immediately following federal government initiatives, the President of the CLC announced that the government must be prepared to make "radical social changes before labour will discuss wage restraint ... It is no use talking about guidelines unless the government is prepared to sit down and discuss a redistribution of income". Joe Morris' proposals for redistribution included a guaranteed annual income, a boost in tax exemptions for pensioners and tax cuts for low income Canadians. He also called for the nationalisation of a major oil company and a crackdown on supermarket and food processors pricing practices.[41] Following a number of meetings with government representatives, the CLC Executive made this report to a May 1975 meeting of ranking officers; "We emphasised time and again that our sole criterion in considering anti-inflationary measures was that such measures would have to be based on the greatest possible degree of equity. We indicated from the onset that whatever programme was being contemplated by the government, that programme would have to involve a redistribution of income in this country, which would involve an equality of sacrifice among all forms of incomes and profits".[42] The same report included a list of explicit demands as a precondition for labour's participation in any program of restraint. Labour's 9-Point Program consisted of:

1. A major step to improve the supply of housing, which has seriously deteriorated and which has caused an erosion of real incomes through higher housing costs.
2. Regulation of rents to curb gouging of tenants.
3. An active programme to curb land speculation.
4. Regulation of oil and gas prices which have contributed to fueling inflation.
5. A negative income tax, or some form of tax credits, to those who have little or no bargaining power and who fall into lower income brackets.
6. Full employment policies to abolish high rates of joblessness in this country.
7. Positive evidence that professional fees will be controlled.
8. An increase in old age pensions.
9. A definite guarantee that any tax concessions made to corporations will be used for investment purposes to create jobs and not end in the payment of higher dividends.

In the months that followed the federal government systematically refused to respond to labour's proposals. Consequently labour's opposition on the issue of restraint hardened. After the introduction of a restrictive budget in June 1975, the national leaders of CUPE, PSAC, UAW and USWA all attacked various aspects of the budget. The CLC issued a formal statement which declared that the "budget did not live up to the expectations that had been built up after Mr. Turner's round of consultations with labour and business." Referring to its previously stated positions, the CLC statement expressed disappointment at "the lack of any measure to improve old age security, the Canada pension plan or create a guaranteed annual income".[44]

Another feature of labour leaders evolving position on the question of restraint was demands related to the structure of collective bargaining. Particularly during the mid-1970's, the contradictions inherent in the whole system of collective bargaining became concentrated in conflicting pressures on the trade union bureaucracy. At one pole rank and file militancy constantly threatened to erode the authority and the legitimacy of the union leadership. Attempts to consolidate and concentrate power in the upper echelons of the union leadership were blocked by the decentralised structure of bargaining. Divided into thousands of small bargaining units, control over contract demands and bargaining strategy resided primarily with union locals. At another pole, with the advent of the 1974-1975 recession, business intensified its attacks on labour, and launched a broad public campaign for tighter restrictions on the right to strike, more extensive application of the machinery of compulsory arbitration, and a host of other measures which would further limit the legal authority of unions. This was reinforced by the introduction of anti-labour legislation and policies at the level of the provincial government.

Squeezed between contradictory pressures, labour leaders demanded measures which would rationalise and centralise the bargaining process. The CLC summarised its position in the following terms; "The fragmented federal system under which the provinces in the main control the collective bargaining structure prevents company-wide bargaining and thereby promotes industrial strife. If the government is serious about improving the process of collective bargaining, it should apply its energy to eliminate the present political roadblocks which forbid bargaining on a national scale".[45] Labour leaders' objectives with respect to the demand for centralised bargaining were two-fold. In the first place, they saw centralised bargaining as a means of extending the legal entrenchment of trade union authority. Where a single set of contract negotiations involved tens of thousands of workers in different job sites, companies and provinces, the strike threat would inevitably represent a powerful bargaining tool. Second, the centralisation of collective bargaining would enhance the authority and autonomy of union leaders in the negotiating process. Detached from the direct influence of widely dispersed union locals, union leaders could make decisions free from the anxiety of precipitating a rank and file revolt. On this point the more conservative union leaders regularly emphasised the advantages of centralised bargaining as a mechanism for imposing industrial peace. William Mahoney of USWA pointed to the multi-year no-strike pledge of the U.S. Steelworkers as an "historic breakthrough" and one example of the benefits to be derived from centralised collective bargaining.[46]

Other labour leaders avoided the crass business unionism of Mahoney. But in more subtle terms they frequently linked the issue of centralised bargaining to the problem of "minimising the conflict inherent in the adversary system".[47] Similarly the union leadership placed the issue of centralised bargaining close to the center of the whole tripartite consensus discussion. They pointed out that there was no hope of reversing the pattern of industrial conlict and wage demands unless business and government were prepared to make genuine concessions which extended and centralised the legal authority of unions. If the labour leadership was expected to participate in the further regulation of one dimension of collective bargaining, it would have to wield the authority necessary to withstand the wrath of the rank and file. It is one measure of the importance which labour leaders placed on this issue, that John Munro initiated the Canada Labour Relations Council as an attempt to debate the issue of restructuring the system of collective bargaining.

To summarize, within the organised labour movement opposition to controls was expressed at two levels. First, the intensification of overt forms of conflicts represented a broad advance in both the strength and militancy of the organised working class. For an increasing proportion of the organised workforce strikes and other forms of workplace militancy proved to be a relatively effective means of advancing wage demands and challenging the legally entrenched authority of employers. Among large groups of workers, cushioned from the immediate effects of the economic crisis, proposals for restraint and 'equality of sacrifice for all Canadians' could hardly be expected to win a sympathetic hearing. Second, the upsurge of economic class consciousness was articulated through a general reorientation in the bargaining objectives and social demands of the labour movement. Under pressure from the ranks union leaders rejected narrow proposals for restraint directed exclusively at controlling wages. Labour leaders countered with a program of demands for broad social policies to reduce class inequalities as well as legislative changes to stabilise collective bargaining. Labour demanded the expansion of the legal authority of trade unions and the extension of <u>formal</u> recognition to the union movement as a participant in all matters related to collective bargaining, economic and social policy.

<u>The Political Conjuncture, 1968-1972</u>

Coinciding with the rise of industrial militancy and the shift in the balance of class forces toward the end of the 1960's was the existence of a pervasive social climate of rising expectations. Not only were workers schooled to expect and fight for regular wage gains, but there was a universal expectation of a steady rise in the overall standard of living, improved job and educational opportunities, more and better social services. For perhaps the first time in the post-war period, rising incomes, full employment and social progress had become concrete demands within broad layers of the working class in Canada. In this respect workers had simply assimilated the message which the idealogues of 'post-industrial society' had done so much to inculcate. On the brink of economic crisis, conventional Keynesian wisdom continued to project rapid growth, more equitable income distribution and expanding social services. This was the prevailing climate in which workers advanced and formulated their social demands. In these circumstances the first campaign against 'inflationary expectations' had little or no impact. Moreover, the entire attempt to move toward a more restrictive policy orientation of which the campaign for wages and price restraint was one element, provoked a sharp "public outcry".[48] Whether the government attempted to contain wage pressures directly through guidelines or indirectly through the disciplining effects of high unemployment, it confronted significant popular opposition.*

Accompanying the process of social radicalization was a corresponding political radicalization. In Quebec, the emergence of a popular movement for independence and the stunning political success of the Parti-Quebecois permanently altered the political landscape. Increasingly in the early 1970's, popular political debate came to hinge on two related questions; independence and socialism. Although much less dramatic, the electoral successess of the NDP in English Canada provided similar evidence of a general shift to the left in popular consciousness. The end of the 1960's and early 1970's brought major electoral gains to the NDP in Saskatchewan, B.C., Manitoba and Ontario. In 1972 the NDP doubled its federal parliamentary representation following a surprisingly radical campaign attacking the 'corporate welfare bums'. To a considerable extent these advances occurred at the expense of the Liberal Party, at both the provincial and federal levels, During the same period a left-wing nationalist current (the Waffle) formed inside the NDP, there emerged a native movement for self-determination, a student-based marxist left,

*Although the federal government had some limited success in its efforts to curb wage demands by pursuing tight fiscal and monetary policies during 1970 and 1971 and allowing unemployment to rise over 6%, these policies were implemented at a considerable political cost. Firestone cites economic policy from 1969 to 1971 as the main factor which "led to a near defeat of the government in 1972". 49

the women's liberation movement and gay liberation. Many of these developments remained peripheral to mass politics. Nevertheless they are indications of the direction in which the current of political opinion was flowing during these years. New issues forced their way into the political arena. Governments and business were under attack from various quarters, accussed of crimes ranging from social and environmental irresponsibility to imperialist genocide. Most important to the present discussion is the fact that on several fronts, the Liberal government was threatened with an erosion of its electoral base from the left. This was the dominant feature of the political conjuncture. Among other things it explains the federal government's extremely cautious approach to the issue of wage and price guidelines. The initial attempt to impose guidelines occurred in a political context which was at best unstable. Neither the federal government nor many of the provincial ones were eager to introduce a policy measure which in all probability would have become a class issue in future electoral contexts. Following the failure of indirect attempts to develop a voluntary consensus on the issue of restraint, the Liberals were unwilling and unable to impose statutory guidelines. Apart from the problem of encountering opposition from many provincial governments, such a move would almost certainly have aggravated the political class polarisation which (it appeared at the time) was beginning to take shape.

Part II: The Shift in the Balance of Forces

The first attempt to impose wage restraint was blocked by a combination of factors which together constituted a broad, though limited, shift in the balance of forces in favour of the working class. The rythms and the modalities of the working class upsurge varied widely according to specific circumstances. But as working class demands aggravated the deepening economic crisis, employer and state resistance stiffened. The remainder of this chapter examines the combination of developments which contributed to a reversal in the momentum of the working class radicalisation and set the immediate context for the imposition of compulsory controls.

Business and Wage Controls

Reflecting the specific features of Canada's insertion into the continental economy, the organisation of the capitalist class is mediated by regional and national as well as fractional divisions. One expression of the more general fragmentation of the Canadian social formation is the decentralisation and relative weakness of employers associations. In some cases sectional and regional employers associations play a certain role in the conduct of collective bargaining and serve as vehicles for employers to exert their collective influence over the direction of government policy. Examples of relatively strong regional groups include the Employers Federation in B.C., and the Conseil du Patronat in Quebec. But at the federal level the two main employers associations, the Canadian Chamber of Commerce (CCC) and the Canadian Manufacturers Association (CMA) fulfill more limited functions. The activities of these organisations are restricted to public propaganda, formal policy representations to Cabinet, and education within the business community.

Historically, the relative weakness of employers organisations in the economic sphere has been compensated for by the political dominance of the capitalist class. The long term hegemony of the bourgeois political parties and conversely the weakness of working class political representation, has provided the corporate community with direct access and participation in the process of government. The entrenched political influence of the capitalist class and the close inter-penetration of elite groups (businessmen, politicians and state bureaucrats) has facilitated business participation in the policy process through informal ties of association. The lack of centralised and cohesive organisation at the economic level is thus resolved at the political level. The system of collective bargaining is an obvious case in point. While business lacks strong employers organisations which can pool resources and coordinate bargaining strategies, it has always relied in its own direct influence over legislative matters, and the expanded conciliation and arbitration functions of the state, in order to maintain an acceptable balance of power in the bargaining process.

The shift in the balance of forces toward the end of the 1960's strained the equilibruim of class rule and weakened the mechanisms which had hitherto guaranteed employer authority. At the bargaining table employers were confronted with stronger and more militant unions. Whereas decentralised bargaining had always favoured employers, in the 1960's and 1970's it partly worked to their disadvantage. Completely unprepared for the union bargaining offensive, individual employers were without any readily available means to develop a collective response. Corporate executives constantly complained of an "imbalance of bargaining power in favour of the trade unions ... (which) must be corrected or we are all going to suffer".[50] Compounding this perceived imbalance in the bargaining process was the temporary political isolation of the corporate community. Legislation extended and deepened collective bargaining, while governments applied verbal pressure on corporations to behave with greater social responsibility on such issues as layoffs, technological change, and environmental pollution. Expressions of hostility form workers, denunciations from students, and anti-business currents of opinion in the mass media tended to further isolate the business community. These challenges to their authority and legitimacy shocked and infuriated business leaders. In the words of one vice-president of the CMA; "Nowadays the businessman's self-respect is the target of psychological warfare ... Profits are anti-social; goods are evil. The manufacturer who happens to be foreign-owned is pillaried as a danger to the nation ... Far from defending industry the federal government too often joins in the baiting."[51] This remark wildly exaggerates the extent of the external threat to business. However, it does give some indication of the overall impact of the social polarisation and the mood which it precipitated in the business community.

In the relatively buoyant climate of the late 1960's, business response to union demands and social pressure was hesitant. But, beginning with the 1969-1971 recession and the gradual deterioration of the business environment thereafter, the business community became increasingly conscious of the need to mobilise its forces and reorganise its representative organisations in an effort to develop a stronger, more coherent 'voice of business'. Prominent business spokesmen sounded the alarm against the erosion of free-enterprise and the threat of creeping socialism. "The competitive market ... is under seige from leftist elements, and is being hurt by anti-business propaganda".[52] Throughout the early 1970's the CCC and CMA expanded their administrative structure and areas of research, adopted more comprehensive policy positions, and generally assumed a much higher public profile. The example of the Ontario Chamber of Commerce is illustrative of the general tendency. In 1973 the OCC concluded "business has lost its leadership role in the community to a highly organised labour force and a powerful and sophisticated government". The Chamber adopted a five year plan "to restore to business a strong voice in all areas of provincial development".[53] During the same period the Canadian Federation of Independent Businessmen was formed and subsequently assumed an important role in the public debate over inflation, collective bargaining and state policy. Under the impact of the 1974-1975 recession there was also an attempt, "orchestrated by W.O. Thwaits, former Chief Executive of Imperial Oil to form a Canadian Council of Business."[54] This organisation never materialised. However, the discussion on the question, forums and joint meetings between various business associations, was indicative of a widespread effort to "consolidate the views of the whole business community."[55]

Accompanying this process of regroupment, the business community was increasingly forceful in its efforts to carry "a coordinated program of business initiatives to legislators, opinion makers and the public".[56] In one respect the attempt to clarify business objectives was only partly successful. Policy proposals as well as business-sponsored public campaigns originated with disparate groups organised at the local, regional and national levels. The annual submissions to the federal government were often comprised of a list of specific proposals devoid of any overall strategic coherence. Reflecting the differential impact of the economic crisis, business demands varied according to different sectors and industries, large and small corporations. The attempt to consolidate business views was obstructed by numerous and deep divisions within the capitalist class. Against the background of the developing capitalist cricis, the corporate community was unable to advance a unified economic and social program. At the same time however, there were two broad objectives which were widely shared within the business community, and which provided the focus for business response to the economic and social crisis. First, there was an agreement on the need to force down the level of wage settlements, and weaken the power of the union movement. Second, the entire business community was more vocal and aggressive in its demands for a reduction in the level of state spending and a reversal in the pattern of rising social expectations. The policy positions and actions of the business community on each of these issues is briefly considered below.

Consistent with the established tradition of resistance to trade union organisation, business oppossed all legislation and related policy recommendations which involved a broadening of the scope of collective bargaining. For instance, the CCC and the CMA reacted to the extension of the right to strike in the public sector by declaring that "strikes have no functional role for the government and its employees since neither is subject to the pressures of the competitive market".[57] Similarly business condemned virtually all of the recommendations of the Woods Task Force. It opposed the extension of collective bargaining to supervisory employees, legislation formalising union security and the compulsory dues check-off, and proposals to relax prohibitions on strikes during the life of the collective agreement. Business also opposed the revision of the Canada Labour Code and provisions protecting employees against technological change, arguing that such measures were "an infringement on collective baragaining".[58] In the mid-1970's when the crisis of industrial relations once again became manifest, business solidly rejected the tentative proposals of Labour Minister John Munro for a restructuring and centralisation of the bargaining process. While the headlines of the business press warned of the damaging effects of strikes, the CMA and the CCC continued to oppose the idea of industry-wide bargaining, arguing that it would "promote fewer but bigger strikes and would make it more difficult to attain ratification of negotiated settlements".[58]

In some cases union power coupled with social pressure forced employers to adopt a more conciliatory attitude toward organised labour. But even in the late 1960's when the economic climate was most conducive to an accomodation of trade union demands, the 'soft-liners' remained a small minority within the business community as a whole. Long accustomed to a heavy handed style of management, and bargaining tactics which regularly involved harassment and intimidation of unions, employers were unwilling and unable to develop a more flexible strategy for integrating unions into the system of control over work relations. A reactionary and sometimes irrational response to union demands was further reinforced by the lack of organisation within the business community. Even the simplest measures for reducing the level of industrial conflict, such as the introduction of an across-the-board COLA for all organised workers, were beyond the organisational capacities of the internally divided business community.

Business rejected all approaches which aimed at stabilising industrial relations through an extension and rationalisation of collective bargaining. It countered with proposals to expand the scope of compulsory arbitration, restrict the freedom to strike and weaken the legal powers of unions. Following every major strike in the public sector, business representatives declared their support for elimination of the right to strike in all 'essential services'. Through the early 1970's the attack on the public sector unions steadily escalated. The Citizen's Coalition, a creature of the corporate community, purchased full page advertisements in major newspapers which viciously attacked wage settlements, union demands, and the social irresponsibility of public sector workers. The Canadian Federation of Independent Businessmen conducted a sustained campaign against the Canadian Union of Postal Workers. Accompanying overt attacks on the public sector unions, corporate spokesmen regularly called for a variety of measures to limit the frequency of strikes and increase the penalities for illegal forms of industrial action. Business proposals included; expansion of the powers of the Minister of Labour to prohibit strikes, elimination of union hiring halls, elimination of compulsory dues check-off, and greater legal protection for individual workers against sanctions imposed by their unions.[60]

As the expansion peaked in 1974 regular calls for curbs on union rights gave way to a full-blown business campaign against the union movement. Focusing on wildcat strikes, the overall level of strike activity, and the level of wage demands, the business press announced that the union movement was "once again firmly set on a collision course with the public interest".[61] Articles investigating the source and pattern of industrial conflict concluded with calls for a "firm hand" to deal with militant unions.[62] Policy submissions to the federal government declared that union militancy was the source of Canada's inflationary problems.[63] "Wage and salary increases in Canada bear no relation to either productivity improvements or higher living costs and are now running at twice those in the U.S."[64] Early in 1975 both the CMA and the CCC adopted positions calling for a review of the Public Service Staff Relations Act and a repeal of the right to strike in the federal civil service. The CCC's January submission to Cabinet concentrated its fire on the problem of union power. At the same time that Cabinet members and union leaders were meeting to discuss voluntary restraint, the CCC issued a formal statement announcing; "It is time, in our view, for a redress in the balance of power" between business and unions.[65] In literally thousands of speeches, interviews and newspaper articles business spokesmen warned of the threat to profit levels and the erosion of free enterprise, and called for measures to control wage pressures, enhance productivity and encourage new investment.

Concurrent with the attempt to shift responsibility for the economic crisis to organised labour, business also stepped up its demands for a reduction in the levels and a redirection of the flow of state spending. In the midst of the 1969-1971 recession business sharpened its demands for greater stimulation to private sector expansion and investment. "We need to restore business confidence, not inflate bureaucratic appetites".[66] Following a reduction of corporate income tax and the sharp upswing between 1972-1974, corporations came under fire for taking huge profits which fueled inflation. Accusations that corporations were gouging customers, and calls for investigations into excessive profits and pricing policies, triggered a vigorous defence of high profit margins. "Politically motivated attacks on the improved profit performance of leading companies and industries distort the record, mislead the man on the street, and obscure the real issue of inflation".[67] As the expansion peaked and profit levels began to fall, business quickly passed to the offensive. Countering claims that profits fueled inflation, business spokesmen identified the growth of the money supply and the level of transfer paymenst as one of the primary sources of inflationary pressure. G. Arnold Hart, Chairman of the Bank of Montreal expressed the view which was universally shared by businessmen; "Governments must be made to realise that the main source of our present difficulties is to be found in the public sector".[68] Disclaiming any responsibility for the inflationary crisis on the part of those who were actually running the economy, business focussed attention on the pressing need to redefine the objectives if fiscal and monetary policy. Carl Beigie of Howe Research Institute called for a fundamental reorientation of economic policy in order to boost the rate of growth and thereby cope with the "structural problems" which the capitalist economy faced. "We strongly urge that maximum effort be given to raising the share of current output going towards expansion of future productivity capacity".[69] Beigie recommended a variety of policy measures the explicit purpose of which was to raise profits and lower the levels of compensation going to workers. Targetting cost-push inflation as Canada's number one economic problem, Gearld Bouey announced that it was time to abandon past employment objectives, and allow for a higher level of unemployment in order to relax wage pressures.[70]

Prior to 1974-1975 business was circumspect in its attacks on the basic functions and objectives of state social programs. Business generally confined its criticism of state spending to the campaign against public sector workers. But with the advent of the recession all of this changed. Business continued to refrain from a broad attack on the social welfare state. But coinciding with calls for more restrictive monetary policies and reductions in the level of corporate income tax criticism of specific programs and 'government handouts' became increasingly vocal. As part of the campaign to raise productivity and fight the deteriorating work ethic, corporate spokesmen focused attention on so-called abuses of the unemployment insurance system. The Chamber of Commerce announced that it was encouraging employers to report "job applicants who make it obvious that they don't want to work or employees who try tp get fired or laid off to collect unemployment insurance benefits."[71] In the context of the hestitant recovery business broadened the scope of its criticism of existing government programs. In one remarkable document submitted to the federal government in January 1976, the CCC called for the elimination of baby-bonuses and the federal government's bilingualism program. Bemoaning the excessive costs of the government's bilingualism program, the report asked if perhaps "we should propose legislation for a unilingual country".[72]

The two-pronged employer offensive, against organised labour and against the existing structure of state economic and social policy, set the immediate context for increasing business support for compulsory wage and price controls. As a matter of principle the business community opposed state intervention as an infringement on the unfettered operation of the free market. The basis of resistance to state intervention was the ongoing anxiety that political considerations, the pressure of popular opinion, posed a potential threat to business interests. Business violently opposed any form of intervention which proposed to regulate profit margins. It was similarly opposed to anything but a loose and temporary regulation of pricing policies. Throughout the debate over controls business repeatedly reminded the federal government that it would not tolerate any serious limitations of its traditional economic powers. However, in the context of the economic crisis these concerns were overriden by the realisation that state intervention was a necessary prerequisite for restoring the conditions favourable to continued capital accumulation. Thus while corporate representatives continually warned against the growth of the regulatory functions of the state, they acknowledged the necessity for a tighter coordination of business-state relations. From the standpoint of capitalist interests a policy of compulsory controls served two related purposes. First, it provided a broad instrument for confronting wage pressures and indirectly dealing with a host of labour relations problems which had multiplied over the previous decade. The program of controls provided the organisational vehicle for an attack on the union movement, which the capitalist class could not conduct without state assistance. Second, controls provided a mechanism to begin the general restructuring of state economic and social policy. Business linked its support for controls to a committment from Ottawa to slow the growth of the money supply and reverse the pattern of social expenditure.

The collapse of the first experiment in voluntary restraint, the uncertain record of the U.S. program, and the disasterous consequences of controls in Britain, all tended to reinforce business scepticism about the desirability of a program of wage restraint. During the early 1970's only a minority of business opinion agreed with John Young's conclusion that compulsory controls would be required at some future point. In 1975, minority support quickly gave way to unanimous and vocal advocacy of wage restraint. Despite the failure of consensus talks business continued to apply pressure on the federal government to produce a workable program of voluntary restraint. For tactical reasons very few business representatives openly advocated compulsory controls. But response to the introduction of the Anti-Inflation Program provided an accurate reflection of business attitudes. As one journalist put it in an article entitled "Bosses Stand on Their Heads to Sing

A Different Tune", "what had been an almost unanimous business chorus of distaste for compulsory controls, changed immediately into one of cooperation".[73] In the aftermath of Pierre Trudeau's announcement, the corporate community could barely contain its overwhelming support.

The Climate of Austerity

Magnifying the impact of the employer offensive, the mass media conducted its own campaign against the "national insanity of state spending and inflationary wage gains".[74] "Exhorbitant wage settlements have been dictated from Ottawa, illegal strikes have been ignored, credit expanded, and individual savings robbed by monetary tricks". Citing the theories of Milton Friedman the Globe and Mail called for restrictive measures to boost unemployment and reduce spending on non-essential projects. Demanding strong leadership from the Minister of Finance, the Globe suggested that "if support for anti-inflation measures is not forthcoming, the government despite all assurances to the contrary, may well be forced into various forms of compulsory restrictions and harsh legal controls".[75] In the threatening language which has since become the stock and trade of the bourgeois press, editorials declared that the inflationary crisis posed a "critical test for democracy".[76] "When all sanity is lost and the patient would be destroyed by the violence of the convulsion into which he has been manipulated, a straightjacket may have to be applied."[77] In the context of extreme economic uncertainty, all of this had its desired effect upon public opinion. Notwithstanding a high degree of economic militancy among broad layers of the organised working class, rising inflation and unemployment exercised a classically disciplining effect upon a much larger proportion of the working class, particularly the unorganised and state dependants. For many of the people in these latter groups the inflationary spiral in the mid-1970's marked the beginning of a long-term and sometimes precipitous decline in living standards. To the same degree that these groups lacked any effective means of protection against inflation, they were susceptible to calls for restraint and the government's announced intention to halt the inflationary spiral. Moreover, the combined impact of inflation and the sustained ideological barrage directed against the union movement, polarised public opinion against 'big labour'. Whereas strikes and accompanying wage demands had evoked a measure of public sympathy in the 1960's, by 1975 antipathy toward organised labour, and particularly state workers, had become the main form of public expressions of anxiety over the economic crisis. Organised labour provided a convenient and visible target in the heavily orchestrated search for the 'causes' of Canada's economic difficulties. Prior to October 1975, public hostility toward organised labour was used to build the case for wage and price restraint. Thereafter, public opinion served as the crucial instrument in the campaign to further isolate and disarm working class opposition.

Intense pressure from the business community and the mass media, coupled with a softening of popular opposition and the political isolation of the labour movement, facilitated the shift to fiscal austerity on the part of the provincial governments. In this respect the Conservative government in Ontario took the lead. Following the imposition of ceilings on education spending in 1973, the Davis government tabled the report of the Henderson Commission which laid out a general plan for cuts in education and health care spending. These moves were accompanied by an attack on public employees. Bill 275 for instance, designated teaching as an essential service, limiting teachers' right to strike and narrowly restricting all other bargaining rights. Among its recommendations, the Henderson Report included proposals to restrict the level of wage settlements for public employees. develop guidelines for arbitartion awards, and carry out layoffs and staff cuts at all levels, In other provinces, notably those with NDP governments, austerity measures were more modest. But in varying degrees every provincial government intensified its efforts to restructure fiscal policies and raise the proportion of social production accruing to capital. Struggling under the weight of their own fiscal crisis, and the impending confrontation with government employees, the provinces added their voice to the chorus of demands for harsh measures directed specifically at controlling wage pressures.

Finally, accompanying the realignment of social forces which occurred at an accelerated pace during the 1974-1975 recession, political developments had created favourable conditions for the imposition of wage controls. While the working class radicalisation in Quebec continued to deepen, the working class in English Canada had suffered a number of political defeats. In the late 1960's and early 1970's the electoral hegemony of the Liberal Party had been fragile. In the same period the NDP had begun to emerge as a political pole of attraction among broader layers of the working class. Throughout the 1970's the NDP continued to command widespread popular support in a number of provinces. But the treacherous legislative record of the NDP governments had significantly eroded and demoralised their own electoral base. At the federal level the NDP was thoroughly discredited as a result of its 'corridor coalition' with the Liberals between 1972 and 1974. The Liberal government was re-elected in 1974 with a substantial majority, while the NDP suffered a major political defeat. Once again, the working class in Canada (and Quebec) was left without any concrete alternative to the political rule of the Liberal Party.

With its electoral basis of support temporarily reinforced, the Liberals were in a position to introduce the Anti-Inflation Program with a minimum or political risk. Still reeling from the effects of the 1974 election and the 1975 victory of Social Credit in B.C., the NDP was unable to present any significant opposition to the economic policies of the Liberal government. Of the two remaining provinces with NDP governments, only Saskatchewan rejected the program of compulsory controls. Fully aware of the object and purpose of the Anti-Inflation Program, the Schreyer government in Manitoba nevertheless supported the program outright. At the federal level, the NDP restricted its criticism to various 'unfair' aspects of wage and price restraint when it fact it was transparently obvious that the entire purpose of the program was to deepen existing inequalities.

The extreme weakness of working class opposition made it that much easier for Trudeau and the Liberal Party to represent the Anti-Inflation Program as the most sensible and responsible approach to Canada's economic problems. The impression that wage and price controls were inevitable was further reinforced by the fact that the Conservative Party was already on record in support of statutory controls.

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CHAPTER SIX: WAGE AND PRICE CONTROLS

The program of wage and price controls was an extensive and necessarily flexible experiment in crisis management. The objectives of the controls program and the actual operations of the Anti-Inflation Board evolved in a complex configuration of state structures which were highly sensitive to shifting political influences. The concrete form of the Guidelines was the product of conflicting pressures; the overriding goal of forcing down the level of negotiated settlements and the necessity to maintain a minimum degree of popular political legitimacy. Over the period of its existence, the only permanent feature of the restraint program was the targetted objective of lowering the overall level of wage increases from an annual rate of 12% in 1976 to 6% in 1978. Beyond this, the Anti-Inflation Act was the object of frequent, numerous and sometimes wholesale amendments. Similarly the structure and functions of the Anti-Inflation Board took shape in the course of its intervention into the process of wage and price determination. The first six months of its existence was a continuous scramble to develop an administrative form which was both effective and politically acceptable. Under the legislation the Board assumed wide discretionary powers to interpret and apply the criteria for regulating wages and prices. The pattern of the Board's decisions reflected the attempt to meet the basic objectives set out in the legislation while avoiding politically dangerous confrontations with organised labour, and to a lesser extent business.

The discussion which follows does not attempt to deal comprehensively with all the aspects of the structure, activities and history of the Anti-Inflation Board. A detailed account of the legislation governing the AIB, the technical details of the wage and price Guidelines, and the administrative forms of the AIB, is provided in the Board's official history, Chronicles of the Anti-Inflation Board. This chapter is limited to identifying some of the general features and operating principles of the compulsory restraint program. It examines the main features of the structures of the AIB, and the operation of its two most important branches, the Compensation Branch and the Prices and Profits Branch. Thereafter the discussion considers the impact of the AIB on wages, prices and profits.

The Form of Wage Controls

In the months which preceded the tabling of the Anti-Inflation Program, there was general agreement among the corporate community, Cabinet and economic policy advisors on the need for some form of compulsory controls. At the same time there was substantial disagreement over the form and functions that such a program whould assume. The concrete focus of debate was the issue of a wage and price freeze. As the discussion at the end of Chapter Four indicated, there was a strong current of opinion represented by John Turner and the Department of Finance which viewed controls as a subordinate component of a program of fiscal and monetary restraint. According to this view, the benefits of controls derived primarily from their 'shock effect'. Turner amd his main policy advisor Simon Reisman favoured a short term universal freeze which would serve as a means of preparing a rapid transition to harsh fiscal restraint and a general reorientation of state economic policy. For Turner the emphasis of state policy response was to be placed on classical measures of restraint. The coercive function of state intervention would quickly be replaced by the coercive impact of higher levels of unemployment and a sharp reduction in state social expenditure. The discipline of the market was viewed as the primary mechanism for forcing down wage levels and relaxing pressure on the rate of profit over the long term.

The reasoning behind Turner's position was clear enough. The performance of the economy, in Canada and elsewhere, provided a compelling argument for a policy of tight controls over the growth of the money supply, sharp cuts in social spending, and incentives to new investment. Despite the political dangers associated with these measures, the prospect of complete collapse was already forcing capitalist governments in this direction. The longer the inevitable was postponed the more serious the consequences would be at some point in the future. At best wage controls provided a temporary policy instrument which would hasten the transition to more severe austerity. As the record of other countries had proven, controls were most effective as a short-term mechanism to halt wage pressures and provide time for other more fundamental measures to take effect.

These arguments carried a great deal of weight within Cabinet and among influential fractions of the capitalist class. But at the same time there were three general conditions which militated against this orienation. In the first place the ever-present centrifugal pressures on the Canadian state structure imposed serious political obstacles to implementing severe fiscal and monetary restraint. The decentralised structure of the Canadian state limited the federal government's effective control over fiscal policy, and a direct move to austerity would inevitably sharpen the confrontation between Ottawa and the provinces. Second, there was the danger that a freeze on wages and prices would precipitate an open confrontation with organised labour. Although the bargaining catch-up had already peaked early in 1975, wage pressures were still strong and strikes continued at very high levels. Despite the existence of a strong basis of public support for controls, there remained widespread scepticism as to whether any form of wage and price restraint would really be effective. It was a distinct possibility that a wage freeze would result in particularly sharp opposition from organised labour which in turn would tip the balance of public opinion. In any case, the Cabinet was anxious to avoid any overly coercive forms of intervention as long as the character and depth of labour's opposition remained an unknown quantity. And finally, there was room for disagreement over the severity of the capitalist crisis. In the mid-1970's many bourgeois economists continued to view the inflationary spiral as largely the result of conjunctural developments, the effects of which would weaken over time. Their vision clouded by the record of post-war expansion, policy advisors and politicians were reluctant to acknowledge the obvious, namely that the long boom had come to an end.

All of these considerations provided the basis for Pierre Trudeau's rejection of the proposals advanced by Turner. As an alternative to a policy orientation which corresponded closely to the theories of Milton Friedman, Trudeau opted for a more Galbraithian approach which eventually determined the form of the Anti-Inflation Program. With respect to fiscal and monetary policy, Trudeau favoured a more gradual transition to a restrictive stance. Rejecting the option of severe restraint, the "Attack on Inflation" committed the federal government to "Fiscal and monetary policies aimed at increasing total demand and production at a rate consistent with declining inflation".[1] Corresponding to this position "Government expenditure policies aimed at limiting the growth of public expenditure and the rate of increase in public service employment".[2] On the issue of wage controls Trudeau opposed the more heavy-handed form of state intervention which was necessarily involved in imposing a short term wage freeze. In both of these respects the policy orientation which was put forward in the government's White Paper, represented a 'soft' policy response in relation to (ex-Finance Minister) Turner's 'hard line'. However, the Anti-Inflation Program also entailed a much more ambitious and longer term program of wage and price restraint. Whereas Turner had placed greater emphasis on the mechanisms of the market, Trudeau finally chose an expanded and sustained form of direct intervention as the primary instrument for effecting a shift in the balance of economic power to the benefit of capital. An extended program of wage and price restraint was adopted as the main policy tool for preparing the economic and social climate required to bring about a gradual transition to fiscal and monetary austerity.

The strategy of the Canadian controls program was to apply increasing downward pressure on the rate of wage and price increases over a three year period. But while the decision to drop the wage freeze in favour of a more gradual approach over a longer period of time resolved some of the immediate political difficulties associated with controls, it also gave rise to a number of new political and administrative problems. The wider scope of the program demanded greater complexity and flexibility, both with respect to the formulation of the rules governing wage and price increases and in terms of the administrative structure required to implement the program. It was possible that a universal freeze could have been imposed with the justification that it was a short term desparation measure. The suspension of existing collective agreements, the deepening of economic inequalities and the market dislocations resulting from state intervention, could have been excused as unavoidable temporary liabilities in the urgent fight against inflation. However, such arguments were less effective in the context of the three year program. While the representatives of the AIB regularly spoke of imposing "rough justice", in practice they were often forced to tread softly in cases where a strict interpretation of the Guidelines would have resulted in grossly unequal treatment for particular groups, disturbances of the wage structure and labour markets, or price rollbacks which threatened profit margins. The main political problem associated with the imposition of relatively long term controls was the greater difficulty of concealing the fact that the single objective of wage and price controls was to make wage earners carry the <u>entire</u> burden of the fight against inflation. Ultimately this fact could not be completely hidden, since the task of rolling back wage increases was the only concrete function of the Anti-

Inflation Board. But in order to negotiate the primary contradiction of the whole program, the Guidelines were developed to allow for maximum flexibility of interpretation and application in specific instances. Exercising its unlimited discretionary power the AIB was free to render decisions which were sensitive to the specific balance of forces. On the one hand the flexibility of the wage Guidelines facilitated efforts to avoid precipitating sharp resistance from particular groups of workers. On the other hand, flexible price Guidelines enhanced the Board's efforts to create the impression that it was exercising a regulatory function with respect to prices and profits. The formal Guidelines and their application through the Compensation Branch and the Prices and Profits Branch of the AIB are considered more closely in subsequent sections.

The adminstration of the Guidelines program presented a number of difficulties. Here again, particularly because of the scope and duration of controls, the Liberals were anxious to avoid more overt and coercive forms of intervention. Trudeau and the Cabinet correctly reasoned that the more aggressive and visible the intervention of the state, the greater the risk that the controls program would encounter serious resistance. In the debate which preceded the introduction of legislation, the Minister of Labour had argued in favour of direct involvement at the bargaining table. In John Munro's view direct involvement would avoid the problems of imposing wage rollbacks and frustrating workers' expectations. With the risk of antagonising union members reduced, union negotators would be more likely to accommodate themselves to the objectives of the Guidelines. "In effect the Department of Labour plan would have been another attempt at voluntary compliance except this time, the force of the law would have been behind it".[3] This argument was rejected by the Prime Minister's Office, the Privy Council, and the Prime Minister himself "who were all against any kind of intervention into the process of collective bargaining. In Trudeau's view, the AIB had to act as much as possible like a court. There had to be an arms-length relationship between the Board and the bargaining process or the program would look like a sham from the outset. Once again the Prime Minister's strong position carried the day".[4] The activities of the Anti-Inflation Board were thus intended to remain as much as possible external to the bargaining process. "The Board made it a point not to rule on collective agreements until they had been signed and ratified. Often during netotiations, particularly if they were at an impasse, one or both parties would ask the Board what figure it would be prepared to accept. In response, the Board would advise the parties to begin by reaching an agreement based on their own interpretation of what the Guidelines would permit. Then and only then would the Board review the settlement and give its decision."[5] It goes without saying that the Board was a powerful if shadowy presence at the bargaining table. Unions were unable to avoid bargaining without casting an eye to finding ways either to comply with the Guidelines or present a convincing argument for exemption. Employers likewise made broad use of the arithmetic Guidelines to establish bargaining objectives.*

The arms length relationship to collective bargaining served a two-fold purpose. The Board's absence from the bargaining table reduced the probability of confrontations between the AIB and the unions. Had the Board participated in the process of negotiating wage settlements all membership contract rejections would have automatically developed into strikes against the AIB. But since the Board remained external to collective bargaining it was free to choose the timing of its intervention, and intervene with the force and legitimacy of the law. The Board rendered its decisions <u>after</u> the collective agreement had been signed and strikes were already settled. As a result union opposition to the recommendations of the AIB was generally channelled into legal avenues of appeal.

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*Most provincial Labour Relations Boards overruled employers attempts to bargain under the protection of their own interpretation of the Guidelines. However, an Ontario ruling allowed employers greater lattitude in using the wage Guidelines as a bargaining weapon. The Board concluded that "full survival of the duty to bargain in good faith does not mean that the Anti-Inflation Act is not a factor to be taken into account in negotiations". 6

Further, direct participation of the AIB into the bargaining process would almost certainly have provoked a determined struggle on the part of the union movement against this massive infringement on the established rights and freedoms associated with collective bargaining. The arms-length relationship allowed the government to argue that wage controls did not constitute a threat to or a suspension of the legal rights of collective bargaining. At the same time the arms-length relationship tended to maximise the impact of the Guidelines without forcing the AIB to resort to coercive measures in order to enforce compliance. The existence of the Guidelines and the informal suggestions of the AIB were frequently sufficient external pressure to intimidate unions into settling for lower wage increases long before the Board had made any official recommendation.

The structure of monitoring price and wage increases, and the review process were likewise designed to encourage voluntary compliance with the Guidelines. The Anti-Inflation Act established three agencies which were responsible for the administration of the Guidelines. "The Act provided for the Anti-Inflation Board to monitor compliance with the Guidelines, an Administrator to investigate and enforce compliance where necessary, and the Tribunal to hear appeals from the Administrator's ruling".[7] The duties of the AIB included the following:

--monitoring movements in prices, profits, compensation and dividends in relation to the Guidelines.

--identifying actual or proposed movements that would contravene the Guidelines in fact or spirit.

--endeavour through consultations and negotiations with the parties involved to modify the actual or proposed increase to bring them within the limits and spirit of the Guidelines or to reduce their inflationary effect. 8

The Board had no power to actually order rollbacks of wages, prices or profits. However, it could order the reporting of any information related to wage and price developments, and it exercised complete freedom to decide which changes were acceptable and which contravened the Guidelines. Where the Board determined that there was a contravention of the Guidelines it could refer any case to the Administrator. "Its function was to act as a persuador ... to help achieve 'voluntary compliance'."[9] As the original White Paper explained, the Board was "designed to permit both flexibility and maximum cooperation".[10]

The Administrator had the power to issue legally binding orders. When the Administrator chose he could also order recovery of excess wages, prices charged or dividends, or impose penalities where the parties involved had engaged in a willful contravention of the Guidelines. In the early stages of the program the Administrator dealt only with cases referred by the AIB. Legislative amendments on May 20, 1976 made provision for the parties involved to appeal the recommendations of the AIB. However, over the life of the program the Adminstrator dealt with only a small minority of cases. The specifics of the legislation tended to reinforce the authority of the Board and discourage appeal. "While the Board had virtually unlimited discretion to allow amounts above the Guidelines, the Administrator had no discretionary power. His orders had to be made within the limits set by the Guidelines."[11] In practice the Administrator also exercised a considerable measure of discretion. He was free to reinterpret or re-calculate the arithmetic Guidelines. Neverthless a number of cases in which the Administrator handed down harsh decisions served to discourage many unions from appealing the original recommendations of the AIB.

Where the parties involved refused to accept the decision of the Administrator they were further able to appeal to the Anti-Inflation Tribunal. The appeal Tribunal could dismiss appeals or vacate or vary the decision appealed against. It could also refer the whole question back to the Administrator for reconsideration. In a few cases unions further appealed the decisions of the Tribunal to the federal courts and eventually the Supreme Court. Finally, at every stage of this elaborate review process Cabinet had the power to intervene and reverse a decision or force the authority responsible to reconsider an earlier decision.

This complex regulatory process maximised the aspect of 'voluntary compliance', while the multi-level review process tended to defuse opposition to the decisions of the Board in a maze of legal battles. The legal complications and the dangers that an appeal would result in a more severe penalty, tended to encourage both unions and employers to comply with the recommendations of the Anti-Inflation Board. In this respect the coercive powers of the Guidelines program extended far beyond the scope of the legally binding decisions rendered. At the same time the system of reviews and appeals severely weakened the force of opposition to the AIB. Where the unions and their members were eager to challenge the Board's recommendations, they generally found themselves in a protracted legal battle. Apart from the expenses involved in conducting disputes on this terrain unions confronted an adversary who exercised absolute power over the content and the interpretaion of the laws governing the Guidelines. Moreover, from the point that a union decided to challenge the recommendations of the AIB it was immediately vulnerable to punitive rulings.

One other feature of the controls program should be mentioned here. The extended duration and broad objectives of the program precluded the possibility of universal regulation over wages and prices. The legislation limited the application of the program to firms with 500 or more employees or construction companies employing 20 or more persons, and "any or all (firms) whose employees bargain in associations with employees of other firms". The Act also included a provision for the introduction of an Order-In-Council extending coverage to groups deemed to be "of strategic importance to the containment and reduction of inflation".[12] Over the life of the program three such Orders were issued. The legislation automatically covered all employees of the federal government, and the participating provinces. With the exception of Saskatachewan and Quebec, all provinces opted to participate directly and granted jurisdiction over provincial employees to the AIB. Quebec opted to introduce its own program in parallel with the AIB. Saskatchewan did not participate in the program and adopted a more limited program of voluntary restraint for provincial employees.

The choice of selective controls was an adminstrative necessity. The program as structured covered over 4 million wage earners and all the most important sectors of the economy. To further extend coverage would have multiplied the administrative difficulties with little or no benefits in terms of the effectiveness of the restraint program. At the same time selective controls also carried certain political advantages. Most importantly they focussed attention on organised labour and big business. Pierre Trudeau, for instance, was able to justify state intervention in the Galbraithian idiom of protecting the public interest over and against the market power of big business and big labour. The selective character of the program also provided the AIB with some reinforcement in its attempts to explain its limited ability to regulate prices. Board spokesmen often pointed to the selectivity of controls as an excuse for their failure to exercise any immediate influence over the Consumer Price Index. Even while the existence of the Board was explained in terms of the necessity to control inflation, the Board continued to disclaim any responsibility for regulating the inflationary process.

The entire structure of the Guidelines program was intended to create the appearance of a neutral body charged with the task of distributing the burden of the restraint equally among the corporations, employees and professional groups covered under the legislation. As mentioned above, the AIB was promoted as a 'court' with a tough but fair attitude toward all those under its jurisdiction. Formally the Board exercised equivalent powers over the restraint of wages on the one hand, and prices, profits and dividends on the other. But even the most cursory investigation of the activities of the Anti-Inflation Board reveals that all of this was nothing but an elaborate charade. In the words of Jean-Luc Pepin, Chairman of the AIB until May 1977; "Our job is to distribute pain in proportion to the capacity of each group to suffer".[13] As events subsequently proved, Pepin was referring exclusively to the capacity of the working class in Canada to suffer and tolerate a systematic rollback of wage levels.

In every important aspect the restraint program was a case of two weights, two measures. The principle of wage restraint was that wage increases should be limited to price plus productivity improvements. Over the life of the program the criteria applied in rendering decisions on wage increases was gradually narrowed to the point that by Year III, wage settlements were being held to levels substantially below the current rate of inflation. The principle of price controls was that increases should be limited to amounts necessary to absorb increases in the cost of production. Following an unsuccessful attempt to implement price control on the basis of the cost-pass-through principle, price Guidelines were abandoned entirely. The system of profit controls which replaced price restraint was steadily relaxed in order to guarantee that Guidelines would never impinge on profit levels. Thus while the wage controls program became progressively harsher, the program of price restraint was ineffective in the early stages and non-existent after the first year. Formally wages, prices and profits were all subject to compulsory controls. In reality only wages were the object of coercive regulation. Price and profit Guidelines generally made it relatively easy for corporations to comply with the restraint objectives. In those cases where corporations contravened the Guidelines, there is scarcely one case in which the judgements of the AIB were not the result of negotiation and voluntary compliance. In every essential, price and profit controls were a program of voluntary restraint. By contrast approximately one third of all compensation cases submitted to the AIB were judged to be in contravention of the Guidelines. In every one of these cases the Board or one of its administrative appendages unilaterally imposed a rollback of the negotiated wage settlement. The following sections consider the respective operations of the Compensation and the Prices and Profits Branches of the AIB.

The Compensation Branch

The compensation Guidelines were comprised of three elemnts. The Basic Protection Factor allowed for wage increases of 8% in the first year of the program, 6% in the second year, and 4% in the third year. In the last two years of the program this basic rate was to be indexed to any increase in the Consumer Price Index over 8% and 6% during the respective Guideline years. Second, the National Productivity Factor allowed for a further 2% increase during each year of the program. In the final year of the program both the indexing provision and the productivity allowance were abandoned and at a time when the rate of inflation approached 9%, the Guideline was set at 6%. Third, the Experience Adjustment Factor provided for an additional maximum 2% increase in one or more years of the program in those cases where groups had fallen behind the average price plus productivity increases during the period immediately prior to the Anti-Inflation Program.

There were two other general provisions governing the Board's calculations of acceptable wage increases. The legislation specified maximum wage and salary increases and minimum wage levels where the Guidelines did not apply. Regardless of the percentage wage increases the regulations prohibited any wage or salary rise that was greater than $2,400 a year. At the bottom of the wage scale employees could receive increases which raised wages to $3.50 per hour, or a total of $600 per year without regard for the Guidelines. This minimum was not guaranteed. It simply meant that the target percentage increases specified in the Guidelines did not apply to the lowest income groups. The legislation also made allowance for wage increases which exceeded the arithmetic Guidelines in cases where one group of workers had an historical relationship with the wage levels of another group. The criteria for assessing an historical relationship included the following; cases where for two or more years prior to October 14, 1975 "the level, timing, and rate of compensation of the employees in the groups have borne a demonstrable relationship with each other", where "rates for the bench-mark jobs in each group were identical", where groups had the same employer, worked in the same industry or were in the same local market, and where the type of work was "related to the same product, process or service".[14]

Finally the legislation included a number of special exemptions where the Guidelines could be exceeded. For bargaining units involved in multi-year contracts negotiated prior to October 14, 1975, and extending over most or all of the three year program, the "prior commitment" was allowed to stand. Similarly, where unions had suffered a serious erosion of wage levels as a consequence of multi-year contracts, special considerations were introduced. There was also a provision allowing for wage increases from "exceptional productivity gains". Further, the Board excluded a number of forms of employer payments form its calculations of the magnitude of wage and benefit packages. Forms of payment excluded from the definition of compensation included; payments with respect to "measures taken to reduce the adverse effects of technological change on employees, including training and re-location costs and redundancy payments"; "payments by an employer to eliminate difference in benefits based on the sex, maritial status or age of employee"; "Payments to implement procedures and techniques to reduce the risk of injury to, and to safeguard the health of employees while at work, including the provision of safety equipment".[15] The application of these and other provisions for exemption from the Guidelines were subject to the discretion of the Board.

The compensation criteria contained in the legislation and their application by the Board were not intended nor did they function as a mechanism for reducing inequalities in the wage structure. At best the Guidelines did not obstruct employer payments which aimed at improving working conditions or eliminating glaring forms of discrimination. The extremely indirect incentives to reduce inequalities were completely overridden by the general thrust of the whole program. Percentage increases, as distinguished from across-the-board lump sum payments, inevitably served to reinforce a widening of the wage gap between different strata of wage earners. The maximum and minimum provisions did little or nothing to reverse this tendency. At the lower end of the wage scale those workers who were supposedly exempt from restraint also exercised the least bargaining power in relation to their employers. For workers earning the minimum wage or slightly more, the $600 maximum did nothing to encourage their employers to actually make such payments. In addition the floor of the Guidelines was so low that the vast majority of low income workers could not claim exemption. At the upper end of the wage and salary scale, the $2,400 maximum exercised virtually no restraining influence on executive salaries. For all intents and purposes professionals were exempted from the maximum Guidelines. Further, the principle of tying increases in gross wage levels to the Consumer Price Index was inherently inequitable. Among others, John Crispo has pointed out that the CPI systematically underestimates the actual impact of rising costs and prices. It ignores the effects of rising tax levels which reduce a pay rise of 10% to perhaps 6% or 7% and which takes no account of the differential impact of price increases on those in the lower and middle brackets.[16] Basic living costs such as food, mortgage and rental rates, fuel for heating and transportation all absorb a relatively much higher proportion of the earnings of these groups.

Far from being based on considerations of equity, the Guidelines and their application by the AIB were the product of pragmatic considerations. This was the main reason why it was difficult to unravel the logic of specific Board decisions which were frequently described as "puzzling", "confusing", or "wildly unrelated".[17] Maslove and Swimmer have identified the main contradiction which governed the decisions of the Board: "The AIB had to be able to show measurable evidence of success. On the compensation side this would amount to showing evidence of wage settlements being rolled back, that is 'making the numbers look good'. Thus in those cases in which the Board had a decision to make there would be an incentive to push settlements back towards the relevant Guidelines". At the same time the Board was anxious to "avoid creating situations of confrontation that would damage its position as an arm of the Anti-Inflation Policy. Such conflict might impair the Board's ability to secure the cooperation it needed from the general public or, more seriously, might result in demands for changes in the Board's mandate to which the government would feel forced to respond".[18] To put this in simpler terms, the Board was faced with a trade-off between its overriding mandate to rollback wages and the political factors which militated against carrying out this task with too much zeal. Surveying the record of the AIB after three months, one writer summarised the principle governing Board decisions in the following terms: "It (the AIB) has no uniform criteria that it employs. Its decisions are based primarily on political considerations. In some cases it 'gives' a little to avoid trouble, while in others it cracks down to defeat a sector of workers who are weak or to set a precedent and to prepare for upcoming negotiations in a related sector."[19]

The principle which governed the administration of the Guidelines is visible in the pattern of early decisions rendered by the AIB. Where the Board encountered significant actual or potential opposition, it reversed prior decisions and relaxed its criteria. Particularly during the first months of its existence the Board was extremely careful to avoid any confrontation which would do serious political damage to the credibility or the Anti-Inflation Program. Trudeau, Cabinet and the AIB were anxious to avoid a direct confrontation with labour. Although Ottawa was familiar with labour's past positions on the issues of controls, it remained to be seen how labour would actually respond. "Obviously we are watching and listening to the union leaders very cloely. But what we really want to know is how the rank and file will react".[20] Until the depth and limits of labour's opposition was clearly established, the Board handled important decisions with great care. At the same time approved wage settlements which were substantially higher than the arithmetic Guidelines drew sharp criticism from business and media. In a struggle to establish its authority the Board chose specific cases to demonstrate its intention to be firm.[21] Some examples will illustrate this point.

Important cases where the Board was forced to bend under pressure involved members of the Candian Union of Postal Workers and the members of the United Steelworkers of America in Thomson and Elliot Lake. Shortly after the formation of the AIB, the Treasury Board submitted a contract which conceded a 38% increase over 30 months (an annual rate of increase of 17.5%). CUPW argued that this was justified on the basis of an historical relationship with the letter carriers (LCUC), who had reached a similar agreement early in 1975. In its

December 10, 1975 decision, the Board chose to interpret the conception of an historical relationship narrowly, concluding that "the proposed agreement exceeds the amount it could accept in light of its relationsip under the Anti-Inflation Program." However, the AIB hesitated to render a decision based on a strict interpretation of the arithmetic Guidelines. Uncertain of its authority and fearful of the political dangers of rolling back the postal workers, the Board referred the whole matter to Cabinet. The Cabinet overturned the tentative recommendation of the AIB and allowed the agreement to stand as negotiated. "The Prime Minister and the Cabinet had decided it was in the greater public interest to let the agreement stand".[22] Notwithstanding the erosion of the Board's credibility, both the Board and Cabinet had obviously decided to avoid a dangerous showdown with a union whose actions were capable of inflicting long term political damage.

In the spring of 1976, the Board became involved in a number of decisions affecting the mining industry. In March, Inco workers in Thompson negotiated a contract which called for an increase of 18.51% in the first year. The Board's decision took account of a claimed historical relationship with Inco workers in Sudbury "but at the same time reaffirmed its commitment to the restraint objective of the AIB.[23] The Board recommended a rollback to 12.9% in the first year. However, following a succession of appeals which were accompanied by strong popular pressure from the Thompson community, symptoms of deep militancy among the 3000 union members involved, and the intervention of Manitoba Premier Ed Schreyer on behalf of the union, the Board was forced to reverse two previous decisions and restore all of the original agreement.[24] Elsewhere, two separate decisions of the Board affecting workers at the Rio Algom and Dennison mines in Elliot Lake, provoked a strong reaction from both unions and companies.* The Dennison workers who were particularly frustrated over a decision which ignored the traditionally close relationship between the two mining operations, walked out for one week in one of the few strikes against the AIB. In each of these cases the AIB had clearly intended to set a precedent for future bargaining in the mining sector. But the combination of union pressure, company pressure and the specific features of the local labour market blocked the Board's efforts.

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*In general there are two reasons why corporations periodically opposed the rollbacks recommended by the AIB. The first was union pressure. In negotiated settlements a number of unions were able to get the companies to agree on immediate implementation of the full agreement prior to the ruling of the AIB. In most cases the Adminstrator's ruling might involve corporations recovering excess payments. The disruption involved in recovering wages already paid, was often judged to be more serious than the benefits of lower wage levels. (25) Second, as in the Thompson and Elliot Lake instances, corporations were sometimes concerned that comparatively lower wage levels in one town or industry would produce labour shortages.

While the Board was reversing a number of decisions in order to circumvent points of opposition, it was also singling out sepcific cases in order to set an example. Such cases included primary and secondary school teachers in Southern Ontario, and Irving Pulp and Paper Workers in New Brunswick. In its treatment of teachers the Board set a number of precedents for applying the narrowest possible interpretation of the provisions allowing for the maintenance of an historical relationship between comparable groups. It took the position that "recognising even a very strong historical relationship did not imply restoration of that relationship, and it made it clear that such relationships might have to be modified in the short term". The Board used this argument to rollback a proposed first year increase of elementary teachers in Hamilton from 26% to 18%. The Board also applied this interpretation to impose a number of punitive settlements. Thus while it rejected the elementary school teachers' argument of comparability with secondary school teachers, the Board determined that the secondary school teachers were liable to a minus 4% Experience Adjustment Factor.[26] In other words comparability was applied to rollback wages to the lower wage levels already existing between different groups. In one case the Board reduced a settlement of Essex Country Separate School teachers from 14.7% to 6.0% with the justification that they were ahead of comparable groups.[27]

Another prominent test case involved teachers in Metro Toronto. Following a two month strike the Ontario government ordered secondary school teachers back to work on January 19, 1976. Binding arbitration conceded the teachers a salary increase of 39.2% over two years. By the AIB's calculations the arbitration award amounted to 24% in the first year and 10% in the second year. Riding a wave of anti-teacher sentiment, the Board overruled the arbitration decision, rejected the teachers' argument of a close historical relationship with elementary school teachers covered by the same Board of Education, and rolled the teachers back to 20% in the first year.[28] Over the course of the strike, and following back-to-work legislation, the Guidelines had provided the central theme for a broad media campaign attacking the teachers.

Perhaps the most provocative decision of the AIB during its first six months involved members of the Canadian Paperworkers Union employed by Irving Pulp and Paper. Late in 1975, contract negotiations were ongoing in a large number of pulp and paper plants in eastern, central and western Canada. Although the Irving workers had not historically set the bargaining pattern in the industry, they were among the first groups to reach an agreement. Eager to establish a precedent for upcoming settlements the Board zeroed in on the Irving workers. Following a protracted strike the CPU had signed an agreement providing for a first year increase of

23.8%. On December 17, 1976 the Board recommended a reduction to 14%. In the early days of the controls program there was no mechanism for the companies or the union to appeal the Board's decision. Consequently, under pressure from the union the company informed the Board that it would not comply with these recommendations. This forced the Board to refer its decision to the Administrator. On February 13, 1976 the Administrator, Donald Tansley, confirmed the Board's original recommendation, ordered an immediate rollback, fined the company and ordered recovery of the excess payments. This was the first such punitive ruling of the Administrator.

Organised labour was incensed by the Board's recommendation and the Administrator's subsequent ruling. Joe Morris denounced the decision as "vindictive", and even Bill Mahoney of the USWA called it "scandalous", warning that it could lead to an open clash between organised labour and the federal government. Among others Ed Finn observed that the Irving decision marked a turning point in labour's attitude. "The AIB Administrator's first punitive ruling has changed the thinking of even the most moderate union officials who believed up till then that they could somehow live with controls. Now they are wondering if the General Strike is all that stands between them and the destruction of their unions".[29] As the objectives of the AIB became increasingly clear the union leadership was undergoing pressure to adopt more militant forms of opposition to the controls program. One left-wing newspaper assessed the situation in the following terns; "The Tansley ruling makes it clear that the labour movement has been put right up against the wall. Either it begins to fight head-on against the government in full solidarity with every group of workers whose contract is before the AIB, or else it capitulates and tolerates this massive attack on the trade union rights of the working class".[30] But even while the choices were become increasingly obvious, labour leaders continued to obscure the issues in a search for some middle road between these alternatives.

During the 'start-up phase' (lasting between six months and one year after the formation of the AIB), the Board demonstrated a tendency to give ground under pressure. In the first year of its operation the recommendations of the Board generally "split the difference' between the level of negotiated settlements and the arithmetic Guidelines. Where the Board encountered or anticipated opposition it rendered more lenient decisions. Maslove and Swimmer have concluded that during the early stages of the program unions and union locals with a record of strikes and industrial militancy tended to receive higher than average settlemenst from the Board.[31] This conclusion is also confirmed by a UAW study of its own performance against the AIB. The UAW concluded that as a result of its relatively more aggressive bargaining stance, a strategy of forcing decisions to the level of the Administrator and the appeal Tribunal coupled with strike threats, its local unions persistently fared better than most other unions.[32] The bargaining response of the UAW and other unions is considered further in the following chapters.

Over time the flexibility of Board decisions and the differential application of the Guideline criteria, gave way to harsher decisions based on stricter interpretation of the Guidelines. Coinciding with the downward revision of the compensation Guidelines, the Board became more aggressive in its efforts to force down wage settlements. During the first year of the program almost 40% of all compensation decisions exceeded the arithmetic Guidelines. On average, wage settlements exceeded the arithmetic Guidelines by over 4%. In the final two years of the program settlements exceeding the Guidelines fell below 30%.[33] On average in the last two years wage settlements exceeded the formal Guidelines by only a fraction of 1%. Not only did the Board become more determined in its efforts to rollback negotiated settlements, but as the table below suggests, union (and unorganised) workers gradually adjusted their wage demands to comply more closely with the arithmetic Guidelines. Despite persistent claims that it was 'bargaining as usual', union negotiators had obviously begun to internalise the figures set out by the Guidelines. The AIB thus exercised a double impact over the pattern of wage bargaining; through its invisible presence at the bargaining table, and through the more direct method of rolling back negotiated settlements.

Table Eleven: Anti-Inflation Board Decisions, By Program Year*[34]

	No. of Employees	Average Percentage Increase Submitted	Average Percentage Guideline	Average Percentage Increase Allowed
Pre-Program before Oct. 14, 1975	188,888	17.1	10.4	14.6
Program Year I Oct. 14, 1975 to Oct. 13, 1976	1,463,929	12.1	9.1	10.1
Program Year II Oct. 14, 1976 to Oct. 13, 1977	1,343,398	8.6	7.1	7.5
Program Year III Oct. 14, 1977 to Apr. 13, 1978	538,080	6.3	5.5	5.7

* *Some decisions involved multi-year compensation plans which were at or below guidelines for one year and above guidelines for another. Because all years of the plan were reviewed together, the number of employees affected by Board decisions in each program year will include some whose proposed increases for a particular year were within guidelines.*

There were several factors which reinforced the Board's strategy of grinding down wage levels and contributed to its relative success in meeting the targeted objectives. A faltering recovery accompanied by higher levels of unemployment clearly depressed wage expectations. With the cyclical shift in the balance of economic power, employers adopted a tougher bargaining stance which provided a strong support to the activities of the Board. Falling food prices in 1976 resulted in a sharp temporary fall in the rate of inflation. Although none of this was the Board's doing, it nevertheless greatly enhanced its public credibility. But among all of the developments which contributed to the success of wage controls, the most important element was the weakness of labour's opposition. As organised labour's resistance to controls sputtered and died, the main obstacle to driving down wage levels was removed. The character and failure of labour's opposition in considered in the following chapter. The remaining sections of this chapter discuss price controls and the overall impact of the Guidelines program on wages, prices and profits.

The Prices and Profits Branch

The system of price controls was highly selective. Prices received by farmers and fishermen were exempt. There were no controls over interest rates. The Guidelines also excluded all industries which were subject to regulation under existing statutes; including petroleum, transportation and communications. Restraint in the pricing policies of federal regulatory agencies was limited to the directive that they "use their power over prices and the quality of service in order to ensure conformity with the program".[35] Rents were also exempt from controls. Initially there were restraints placed on the prices and profit margins of firms producing predominantly for export; notably a 100% levy on excess profits. The levy was first offset by an incentive program providing for a 90% refund where firms approved capital spending projects within five years of the completion of the controls program. In May 1976 the export levy was dropped entirely and the definition of export sales was widened. Through most of the controls program, firms producing for export were free to set their prices in accordance with levels established in the international market.

In many areas of the public sector the price Guidelines applied loosely or not at all. Formally state agencies were directed to adhere to the spirit of the program. But in the federal public sector the government had already taken a prior decision to implement a "user-pay" policy after October 14, 1975. Hence, during the life of the program a number of sharp increases occurred in the price of public services. With the exception of 12 crown corporations and the areas under provincial jurisdiction which were specified in the federal-provincial agreements, the Board exercised no jurisdiction over other areas in the public sector. In order to reinforce the public credibility of the Anti-Inflation Program the Board recommended to the federal government that it direct the responsible ministries to adopt a policy of "deferring all highly visible price decisions that would realise only incremental revenues". The Cabinet rejected this proposal and consequently the Board was confronted with an awkward problem. "The situation was often difficult for the Board. It received the brunt of complaints about public sector prices (over 20% of the nonfood complaints to the end of September 1976) yet was powerless to respond directly to these public concerns".[36]

From the outset then, the price controls program was formally much narrower than wage controls. Leaving aside the question of the effectiveness of Guidelines, the program did not apply at all to well over half of all cost and price changes. John Crispo estimated that 64% of the prices comprising the CPI were not covered by the Guidelines program.[37]

The general principle of price Guidelines was that "increases in prices should be limited to amounts no more than required to cover increases in costs".[38] The legislation proposed to enforce this principle through two different tests; unit cost controls and net-margin rules. The unit cost rule was available to all firms which were able to allocate unit costs to individual products. "Price increases on these products were to reflect only the cost increases for these products. In effect the absolute profit per unit of product was to be held to the profit that prevailed in the base period period".[39] The base period for the unit cost control was the fiscal year immediately prior to October 14, 1975. Subject to the discretion of the Board, all firms which found it difficult or impossible to allocate costs and unit margins to individual products were subject to profit margin controls. A firm was instructed to price its products "in such a way as to leave its percentage pre-tax net profit margin no higher than 95%

of its average pre-tax net profit-margin in the last five completed fiscal years".[40] These basic criteria were applied flexibly to different sectors and industries, qualified by exemptions specific to some industries, provisions for exemption in the case of exceptional productivity increases, and incentives to promote investment.

Following the tabling of the White Paper in October 1975, the only amendment to the wage control Guidelines was a downward revision of the Guidelines target in the third year of the program. By contast the Price and Profits Guidelines were subject to continuous changes, modifications, amendments, reinterpretations and redefinitions of the initial objectives. These changes involved not only minor adjustment or the clarification of specific procedures. By the end of the first year the Guidelines had undergone a wholesale revision. The price control program had been abandoned entirely to be replaced by a system of profit controls. As early as December 1975, the tabling of the legislation was accompanied by a number of changes in the enforcement procedure, including the announcement that 117 of the largest firms would be required to give 30 days pre-notification of all price increases. The Budget in May 1976 announced a number of changes, notably a reduction of the profit margin Guidelines and the introduction of what came to be referred to as the "double-cap". "Producers must both limit overall pre-tax net profit to 85%

of the base period and limit product line percentage net margins to 85% of the base".[41] Taking account of lower base period profit margins in the distribution sector, the 95% margin rule still applied to all distributors. Other changes included the introduction of a provision for "base-period relief". Regardless of base period profit levels all firms were allowed an 8% pre-tax minimum profit. Dividend increases which had been frozen on October 14, 1975 were now allowed to rise by a maximum 8% annually. The May Budget also expanded the list of firms required to submit pre-notification of price increases to 272 covering $60 billion in annual sales.

Following the May announcements the Board encountered a number of difficulties with respect to monitoring procedures, the complexities of the transition rules, and the growing frustration of the business community with the administative difficulties involved in the system of reporting to the AIB. With the tabling of the Draft Regulations in June 1976, the government initiated a complete revision of the Guidelines. Originally the new regulations were slated for implementation in July, but consultations with business representatives uncovered a number of difficulties. Following over 500 separate coprorate submissions over a period of three months the revised Guidelines were announced in September 1976, and took effect in Jnauary 1977. These extended discussions between corporations, the Board and Cabinet centered on several specific issues.

Business strenuously objected to the use of the double cap, both because it involved more complex reporting and because it represented more stringent restrictions in profits. Corporate representatives also opposed the reduction of the net profit margin deflator from 95% to 85% and complained that the 8% base relief provision was too low. Finally, companies complained that the Guidelines were too confused, reporting procedures were too complex and the transitional rules were inadequate.

The revised Guidelines resolved most of these problems. The double cap test was eliminated and the primary test for adherence to the Guidelines became a firm's pre-tax profit margin. At this point the Board effectively withdrew from the area of regulating either unit cost or product line pricing policies, with one qualification that it would continue to exercise the power to request reductions of price increases "where they are clearly disproportionate to increases in the related costs".[42] Apart from drastically simplifying both the reporting and regulatory procedures this change marked the point where the AIB effectively abandoned the attempt to regulate prices. The revised Guidelines retained the 85% profit deflator, and the 8% base relief provisions. But at the end of 1976, in the context of falling prices and falling profits, these matters had become a dead issue. Current profit levels fell comfortably within the limits set out by the new Guidelines. As an added guarantee that the revised profit controls would not impose "undue hardship", the new Guidelines introduced a system of investment credits which offset the rule governing excess revenue. The credit raised the profit deflator to 93.5% of the base period. The 5-year base period was one during which, on average, profit levels were extremely high. The 93.5% Guideline which regulated profits during the final two years of the program thus constituted the mildest possible form of restraint on prices and profits.

By the end of 1976 the overriding preoccupation of Cabinet and the business community was the problem of falling profit levels. The shift to profit controls was intended to relax whatever restraining influence the program had hitherto exercised. During 1977 when the long awaited recovery finally set in, the Guidelines were once again revised. Whereas the 1976 revision had relaxed the principle of limiting price increases to cost increases, further changes completely abandoned the original principle of price control. In June 1977 the Board introduced additional revisions in the regulations governing product line margins and cost-pass-through. Where firms' overall profit margins were less than 80% of the margin percentage allowed under the Guidelines, the product line profit margin increases were allowed to rise as high as 25% over the previous year. The "cost-pass-through threshold", that is the allowance for rising prices based on rising costs, was increased 115% of cost increases in a product line. At this point and for the duration of the program, price controls were transformed into a system of profit maintenance.

Accompanying these broad changes in the price and profit regulations, a whole variety of specific rules and regulatory procedures were developed to apply to different industries and areas of the economy. Initially the profit Guidelines applied to banks. But during the second year of the program complex criteria were introduced for calculating base period profits in the banking sector. The explicit purpose of these measures was to raise the Guideline ceiling in order to ensure that the controls would not impinge on the vital necessity to maintain a healthy rate of profit in the banking sector.[43] A number of amendments were also introduced for application of the Guidelines to construction and real estate. After Novemeber 5, 1976 all profits which resulted from tender bidding were exempted from control. Early in 1976 the Board ruled that all profits from real estate were not covered. Frequent changes were also made in the area of regulating dividends, and controlling professional and executive salaries.

From its inception the Board issued a constant stream of technical bulletins explaining, interpreting and amending the rules and compliance procedures. The sheer volume of these directives makes it extremely difficult to provide a detailed account of exactly where and how the price and profit Guidelines applied. Any attempt to do so is rendered impossible by the fact that the Board's interpretation and enforcement of Guidelines was completeley confidential. There is no available record of which price and profit changes exceeded the Guidelines, and which were judged to be in compliance. There is no information indicating how the Board interpreted the Guidelines or the multitude of specific exemptions included therein. The procedures for enforcing compliance with the program were equally secretive. In those few cases where the Board announced a violation of the Guidelines; neither the Board's calculations nor the compliance plan worked out with the offending company were available for public scrutiny. Since compliance plans were confidential there is no way of discovering whether they were actually implemented, and if not whether the Board took any punitive measures. In short, apart from the continuous introduction of new regulations, press releases and newspaper articles detailing the Guidelines and explaining their significance, and the Board's own deliberately misleading public statements, there is absolutely no concrete evidence that price and profit controls actually existed. Even accepting the doubtful argument that beneath the maze of rules and regulations firms were faithfully reporting cost and profit increases, there is no proof that where implemented the Guidelines exerted any restraining influence.

At the root of the price controls program was an obvious contradiction; the necessity to create the impression of price restraint in order to maintain some degree of legitimacy for the program as a whole, and the overriding objective of avoiding any measures which restrained prices or applied downward pressure on corporate profits. From the outset the AIB was preoccupied by the problem of presenting evidence of price and profit controls in order to counter criticism that the whole program was fundamentally inequitable. "An increasingly widely held conviction that the AIB was tough on wages and less tough, if not 'soft' on prices quickly emerged as a problem that was to plague the Board throughout its life".[44] It was the central function of the Anti-Inflation Board's Communications Branch to conceal the absence of price and profit controls. "Many of the Board's early public actions were a result of the need to be, and appear to be, firm in the application of the rules restraining prices and profit margins. Because of the nature of these rules, it was clear that in the short run there would be no dramatic deceleration in rates of increases. However, by demonstrating its commitment to vigilance in administering the Guidelines, the Board helped to dampen public expectations of continued high rates of inflation over the longer term".[45]

The continuous revisions of the Guidelines were in part the product of the AIB's ongoing efforts to "appear to be" vigilant in the administration of price and profit controls.

The original program had contained no provision for prenotification of price increases, but a steadily increasing number of the largest firms were subsequently required to report price increases in advance. Although the pre-notification program did not involve stricter controls or more stringent enforcement of the Guidelines, it was presented publicly as evidence of price controls. Changes in the Guidelines in May and June 1976 were motivated by the inescapable fact that the initial Guidelines were obviously not very restraining. "There was a general feeling that a price restraint regime had to balance a relatively tight wage controls program".[46] The reduction of the profit margin deflator to 85% was offered up as evidence that the Board was cracking down. In particular areas the Board either initiated or was forced into action in order to demonstate its commitment to enforcing the Guidelines equitably. The program for enforcing compliance in the area of professional fees and incomes was particularly relaxed, based entirely on voluntary reporting from some 70,000 individuals and 40,000 firms. When it became evident that a large proportion of professionals were not even reporting to the AIB, the Board launched an audit of 1,000 professionals' incomes and fee levels. Despite flagrant evidence to the contrary the Board concluded its cursory investigation with the public announcement "that professionals were abiding by the Guidelines and that only a small minority were in an excess revenue position".[47]

The program was equally lax in controlling executive salaries. But early in 1977 as a result of media reports of gross violations of the $2,400 maximum salary increase, the Board took modestly punitive action against Bell Canada. Finally, over the period of the program, the AIB continually scrounged for specific cases in which it could announce that prices, profits or dividend payments had been restricted or rolled back as a result of the Board's intervention.

At the same time, the whole basis of price and profit restraint was voluntary compliance. This was true in a double sense. All firms required to report to the AIB were responsible for their own calculations of cost, price and profit increases. Ultimately the Board was unable to investigate the reports of individual firms in any detail. In the matter of compliance, there is scant evidence that the Board ever exercised its coercive powers to rollback price and profit increases. Whereas the wage review process brought the force of the law into play, price and profit regulation always remained at the level of recommendations. Where a firm challenged the recommendations of the AIB the resolution of differences was invariably the product of confidential consultations between the Board and the party involved.[48] But more fundamentally, the regulations themselves were the product of joint consultations and collaboration. Thus even while the AIB searched for new ways of providing evidence of restraint, no regulations were implemented or new amendments introduced without extensive discussions with a wide spectrum of business representatives. Business anxiety and frustration after the first six months of controls was the main reason for the total revision of the program beginning in June 1976. As a result of business complaints the original principle of limiting prices and profits to the principle of the cost-pass-through was abandoned even before it was implemented. After May 1976, the veto of the business community was regularly exercised in order to introduce increasingly looser and ineffective Guidelines.

The history of price and profit controls was thus an elaborate charade. Cabinet and the AIB periodically announced new regulations and initiatives aimed at tightening the price restraint program. But with each highly publicised and consciously distorted announcement of tougher price restraint, the same bodies quietly introduced new loopholes, exemptions, amendments and incentives all intended to further weaken the effects of restraint. From the beginning of its operation the price controls program simultaneously became tougher and softer. The mystifying proliferation of contradictory regulations was meant only to conceal the absence of any restraint over prices and profits.

The Impact of Wage and Price Controls

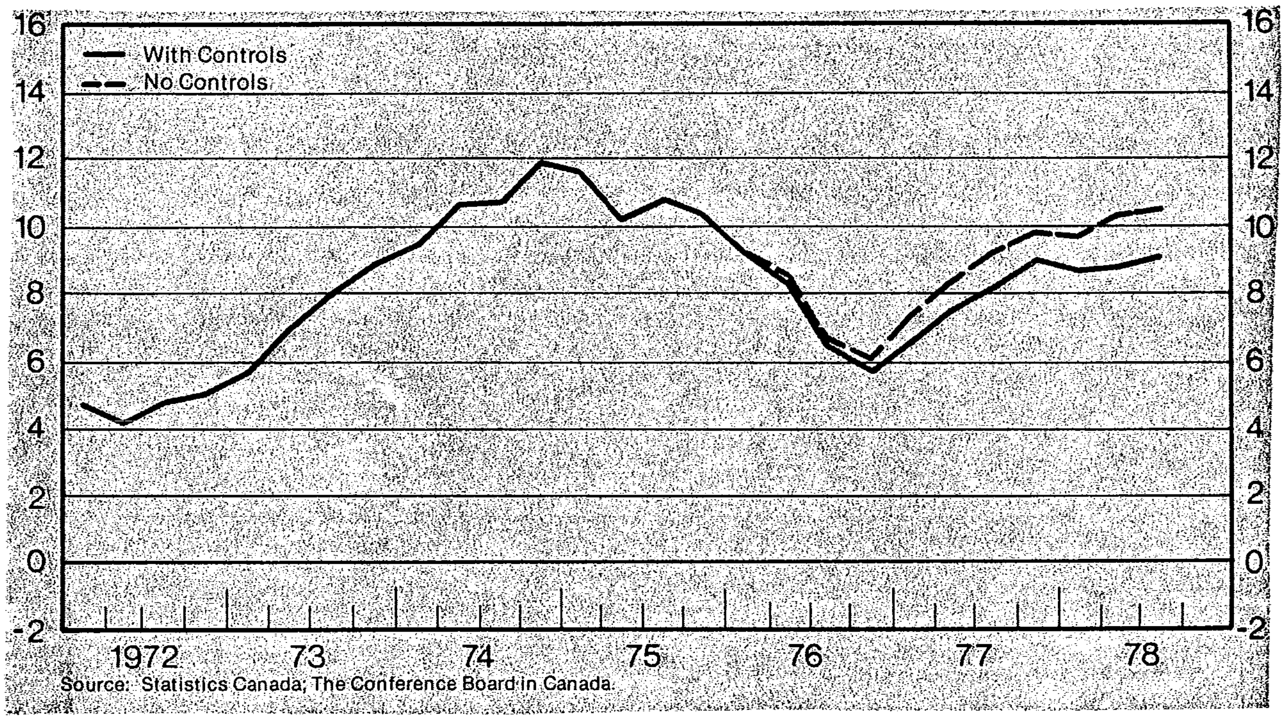
Judged in terms of its publicly stated purposes, the program of wage and price controls was a failure. During the first year of the program the rate of inflation fell briefly to around 6%. But this was the result of short-term cyclical developments which were beyond the regulatory functions of the AIB. The stagnation of the Canadian economy, a precipitous fall in the rate of food increases, and a levelling-off of energy prices, all contributed to a temporary easing of inflationary pressures. Once the delayed upswing finally occurred in 1977, prices began a renewed upward climb. At the end of the third year of the Anti-Inflation Program, the rate of price increases had edged back up to 9%. The impact of the program on the long term pattern of inflation was at best extremely limited.

However, the controls program cannot be adequately assessed in terms of its officially stated purpose. The discussion above explains that it was neither the objective nor the function of the AIB to apply generalised downward pressure on the rate of price increases. In this respect the program simply confirmed what three decade of post-war capitalism had already demonstrated. The capitalist state is unwilling and unable to exercise any direct control over the real mechanisms of the inflationary spiral. In a phase of capitalist crisis corporations are compelled to rely on acclerated price increases to the absolute limit of their ability to dictate final prices. Despite the widespread perception on the part of capitalists and bourgeois politicians that inflation is symptomatic of the deeper crisis of the capitalist system, and an omen of its future destruction, the anti-inflation efforts of these groups are limited to schemes aimed at forcing down relative wage levels, and thereby raising the rate of exploitation. The AIB was designed primarily to assist and coordinate these efforts. The objectives of lowering the rate of inflation was always subordinate to the objective of driving down wages.

This view is completely confirmed by econometric analyses which have been developed to assess the imapct of the AIB. Perhaps the most comprehensive investigations of the AIB are those done by Reginald S. Letourneau under the auspices of the Conference Board in Canada. In several articles and technical papers Letourneau has drawn three basic conclusions. First, over a three year period controls exercised very limited influence over the rate and pattern of inflation. "The Conference Board's analysis suggests that the level of the Consumer Price Index would have been 2.5% higher by the third quarter of 1978 had controls not been enforced during the preceding three years. With respect to the rate of inflation, the maximum impact of the program at any given time was lower than the year over year rate of increase in the CPI by just over one percentage point. The short term impact of controls on the process of inflation, therefore, was modest". As Chart II (page 274) indicates, the influence over inflation was strongest during the final two years of the program.

Chart II: The Effects of Controls -- Consumer Price Index[50]

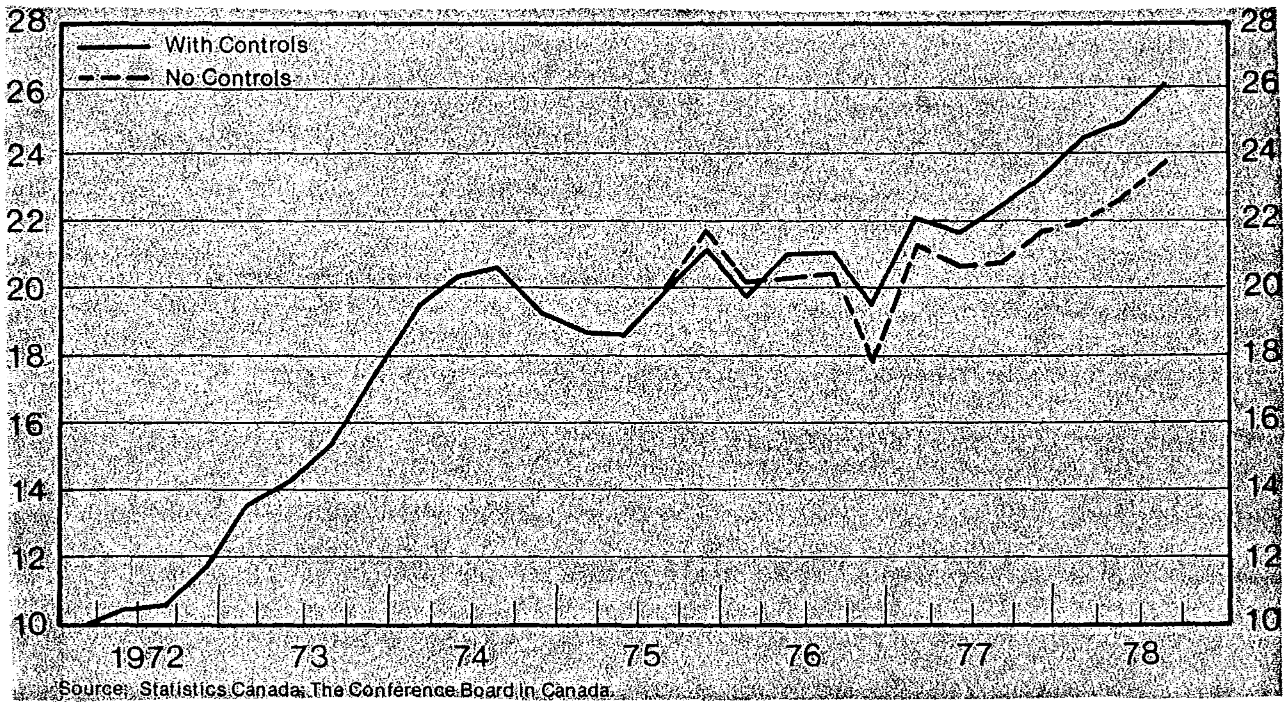
(% Change, Same Quarter, Previous Year)



Second, Letourneau concludes that the controls program "had virtually no impact on profits".[51] But this conclusion is not consistent with his own data. In fact the Anti-Inflation Program was a positive stimulation to profit levels. Chart III on the following page indicates that beginning in the first quarter of 1976, the Guidelines cushioned the fall in profit levels. During the subsequent upswing there was a steady cumulative enhancement of profits as a result of the efforts of the Anti-Inflation Board.

Chart III: The Effects of Controls -- Corporation Profits[52]

Before Taxes (Billions of Current $)

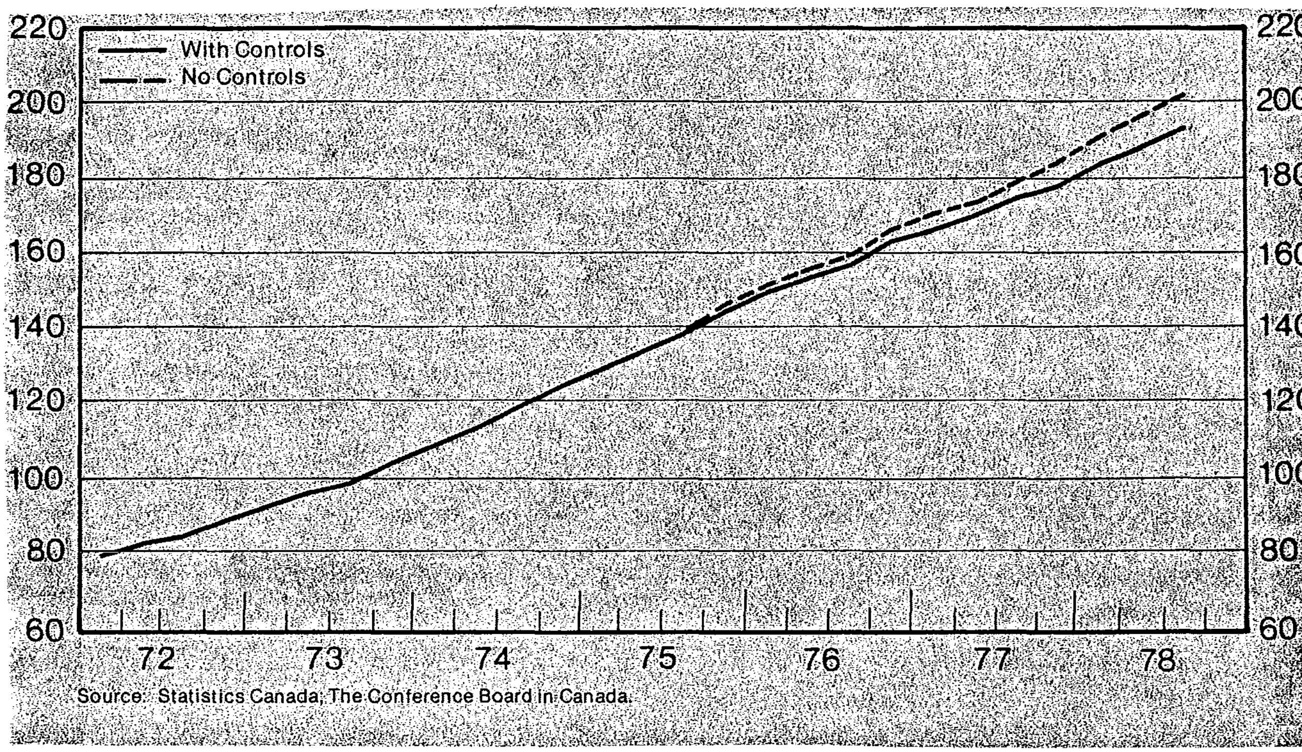


In dollar terms the Conference Board calculated that without controls gross annual profits would have been $23.8 billion by the third quarter of 1978. Under the controls program gross annual profits stood at $26.2 billion, or a difference of plus $2.4 billion. The AIB enhanced gross profits by a cumulative 9.2% over the life of the program.[53] Letourneau argues that the effects of the AIB on profit levels were a consequence of the fact that "business conditions during 1975, 1976, and 1977 were so poor that the mark-ups taken by producers had fallen to historically low levels. Given a different state of the economy controls could well have had a significant impact on profits".[54] However, as the whole discussion above has indicated this is a false argument. In the first place the timing of controls was hardly accidental. The program was initiated in order to relax the cyclical squeeze on profits which accompanied the 1974-1975 downturn. Once the recovery began price and profit ceilings were progressively revised upwards in order to stay ahead of rising profit levels and the accelerating rate of inflation.

Third, the primary impact of the AIB was in lowering relative wage levels. Chart IV below indicates that particularly during the last two years of the program, the AIB exerted cumulative downward pressure on the level of personal income. The Conference Board concluded that with no controls aggregate personal annual income would have been $201.6 billion by the third quarter of 1978. Controls held gross personal income to $193.5 billion, or a difference of $8.1 billion. The cumulative effect of the intervention into wage settlements was a reduction of personal income by 4.1%. In real terms (measured against 1971 dollars), the AIB reduced personal income by $2.5 billion, or 2.2%.[55] Of course wage and salary rollbacks were imposed differentially among those groups covered by the Guidelines. Professional incomes, executive salaries, and investment income were not affected by the Guidelines. A calculation which excluded all of these high income groups would presumably register a much higher percentage loss among the remaining middle and low income groups.

Chart IV: The Effects of Controls -- Personal Income[56]

(Billions of Current $)



Wage and price controls were introduced on the downside of the business cycle. Following the pattern of an inverse cyclical relation, wages advanced over prices and profits until the end of 1976. Relative to prices and profits, wages began to fall sharply at the beginning of 1977. By the third quarter of 1977, the rate of increase in weekly earnings fell below the Consumer Price Index. At the end of the controls program, in the third quarter of 1978, average annual new wage settlements were running between 3% and 4% behind the rate of inflation.[57] The AIB was not the cause of this broad movement in wages, prices and profits. But its impact on their cyclical movement is fairly clear. In its early stages the

Board acted to restrict the full expression of the wage catch-up and relax the squeeze on profits. When the effects of slack markets and high unemployment began to apply downward pressure on wages, the function of the AIB was to intensify this pressure and hasten the fall in wage levels. The Board was most effective in the final year of the program, when it was able to reinforce the cyclical wage lag and apply a brake on the early build up of wage pressures, thereby reinforcing the rise in profit levels.

Wage and price controls were conceived as a policy response which was both less economically debilitating and less politically dangerous than severe fiscal and monetary restraint. Rather than act indirectly through the forces of the market, the state intervened directly to drive down wage levels. Lower wages were targeted as the key variable in reworking the economic equation in order to soften the impact of the 1974-1975 recession and hasten the recovery. As events proved, the benefits of controls were mainly conjunctural. In the four years since controls were lifted the tendency toward stagnation and slump has deepened. By itself this development does not prove wage and price controls to be a less effective policy measure than the other options available. Despite the passage to increasingly draconian fiscal and monetary measures, the crisis of the capitalist system is qualitatively more severe than it was a decade ago.

At this point it is clear that no combination of state measures can halt the progress of crisis.

Particularly in light of recent developments, the outlines of which were already evident to marxists early in the 1970's, the assessment of wage and price controls cannot be limited to a consideration of their conjunctural impact on the economy. Even at the time, a far more important dimension of controls was their political consequences. Wage controls constituted a massive attack on the trade union rights of the working class in Canada. Controls temporarily suspended a whole series of rights and freedoms traditionally associated with 'free' collective bargaining. Inevitably mandatory controls raised some basic questions as to the security and guarantees of economic rights which had been won through long years of struggle. The following chapter examines the impact of controls on collective bargaining. It considers some aspects of organised labour's opposition to controls, and the character of labour's strategy to fight controls.

NOTES:

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2. Attack on Inflation, p. 3.

3. A.Maslove and G.Swimmer, Wage Controls in Canada, 1975-1978, Montreal: 1980, p. 31.

4. Maslove and Swimmer, p. 36.

5. Anti-Inflation Board, Chronicles of the AIB, Ottawa: 1979, p. 44.

6. Wilfred List, "Labour Board Says Firms Must Bargain on Proposals Believed Over Guidelines", Globe and Mail, (May 12, 1976).

7. Malove and Swimmer, p. 36.

8. Attack on Inflation, p. 13.

9. Chronicles of the AIB, p. 128.

10. Attack on Inflation, p. 128.

11. Chronicles of the AIB, p. 14.

12. Attack on Inflation, p. 14.

13. "Pepin Attributes Labour's Anti-Board Stand to Conviction That Restraint Favours Business", Globe and Mail, (November 21, 1976).

14. Anti-Inflation Board, Anti-Inflation Act Regulations, Ottawa: January 1976, p. 42.

15. Anti-Inflation Act Regulations, p. 59.

16. John Crispo, The Canadian Industrial Relations System, Toronto: 1970, p. 456.

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18. Maslove and Swimmer, p. 69.

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21."Board Will Ignore Historical Relationships", Financial Post, (December 15, 1975).

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25.UAW Research Department, The UAW and Wage Controls, (January 15, 1979), p. 8.

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28.Chronicles of the AIB, p. 50.

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30.Seccombe, p. 3.

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41,"AIB Shifts Are Bureaucrats Boon", Montreal Gazette, (October 6, 1976).

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44. _Chronciles of the AIB_, p. 140.

45. _Chronicles of the AIB_, p. 142.

46. _Chronciles of the AIB_, p. 81.

47. _Chronicles of the AIB_, p. 98.

48. Maslove and Swimmer, pp. 55-56.

49. Reginald S. Letourneau, "Did We Expect Too Much From Controls?" _Canadian Business Review_, (Spring, 1979), p. 12.

50. Reginald S. Letourneau, _The Impact of the Anti-Inflation Program: A Framework for Analysis_, Conference Board in Canada, Ottawa: 1979, p. 40.

51. "Did We Expect Too Much From Controls?". p. 12.

52. _The Impact of the Anti-Inflation Program_, p. 44.

53. _The Impact of the Anti-Inflation Program_, p. 76.

54. "Did We Expect Too Much From Controls?", p. 14.

55. _The Impact of the Anti-Inflation Program_, p. 76.

56. _The Impact of The Anti-Inflation Program_, p. 74.

57. _Financial Post_, November 11, 1978, quoted in the Canadian Union of Public Employees Research Department, _The Facts_, Volume I, No. 7, November, December, 1979.

CHAPTER SEVEN : LABOUR'S RESPONSE TO CONTROLS: A CRITIQUE:

The introduction of mandatory controls despite organised labour's repeatedly stated opposition, left the trade union movement with two basic choices; capitulate to the proposals and objectives outlines in the Anti-Inflation Program or mobilise the entire union moevment and all of its political resources to destroy the program. Capitulation meant that unions would bargain in accordance with the directives contained in the formal Guidelines. More generally, capitulation meant either silence or active support for the prevalent explanations of inflation which accounted for Canada's economic difficulties in terms of high labour costs and low productivity. Outright acceptance of the Anti-Inflation Program also implied participation in the government's campaign to develop 'national cooperation' in the fight against inflation. On the other hand to fight controls effectively, the unions needed a dual strategy which obstructed and rendered ineffective the activities of the AIB and at the same time brought about a general shift in the political climate which would compel the Liberal government to withdraw the program. The Liberal government had staked its political life on the wage control program. Any serious strategy to defeat controls had to take aim at the problem of defeating the government.

Very few unions chose either of these extreme options.

Among those unions which were least willing to challenge the controls program, none of their leaders publicly expressed support. Even where unions consciously attempted to bargain in compliance with the Guidelines, negotiators neverthless sifted through the regulations and developed various tactics for exceding or circumventing them on the basis of arguments for special exemptions. At the other pole, among those unions which were most consistently and vocally opposed to controls, there were only a few isolated instances where opposition crystalised in radical forms of struggle. Weakened by their isolation, the most militant unions and union locals were unable to develop a sustained campaign involving strikes and extra-legal forms of struggle against the Board. For the most part shut-downs, occupations, industrial sabotage and open defiance of the Board's recommendations, were not among the tactics chosen to fight controls. At the political level, many unions were opposed to the Liberal government. But the weakness and vacillations of the New Democratic Party, coupled with the failure of the union movement to win broad political support meant that a campaign to oust the government never materialised.

Between the poles of capitulation and an all-out fight the union movement as a whole sought a third way. Union leaders presented a broad united front in their public denunciations of controls as inequitable and ineffective. In its Annual Memorandum to the federal government, submitted March 22, 1976, the Canadian Labour Congress stated its position in the following terms; "Your government has done what no other government in this country has been willing to do. It has legislated a program which pits one group against another. It divides the Canadian community along class lines, with the employers and the government ranged against the workers and their organisations. For its sheer destructiveness of social and political freedoms throughout the Canadian community, this action of your government is unequalled in the history of our country".[1] But while the rhetoric of opposition was occassionally extreme, the strategy of resistance was more moderate.

At the economic level the unions response to the AIB was summarised in the slogan "bargaining as usual". Without developing a campaign to systematically undermine the efforts of the AIB, individual unions developed ad hoc methods to resist or circumvent the recommendations of the Board. Sporadic resistance at the bargaining table and the picket line was accompanied by a public campaign organised around the theme of "Why Me?". Without openly challenging the whole program of controls, the union movement appealed to public opinion with the argument that the program victimised the economically powerless groups in Canadian society. Six months after the introduction of controls the CLC issued Labour's Manifesto for Canada. This document served an ambiguous purpose. Accompanied by the one-page Programme of Action, the Manifesto clarified the basis of of labour's opposition to controls and prepared the way for the "Day of Protest" which involved one million workers in a bi-national work stoppage on October 14, 1976. At the same time the publication of Labour's Manifesto marked the point where organised labour officially abandoned the objective of defeating controls and addressed itself to the question of the post-controls period. Just at the point where mass opposition to controls had begun to broaden, it was diverted into what proved to be a futile debate over tripartism. After October 14, 1976, labour's opposition to wage controls became increasingly fragmented. Resistance at the local level gave way to "controlsmanship", a losing battle to defeat the AIB at its own game. In its conventions and public statements organised labour directed its attention almost exclusively to the public debate over the post-control period. At exactly the point where the AIB was having its greatest successes in rolling back wages, the concrete struggle against the Guidelines had been shunted to the periphery of the labour movement's concerns.

The pattern and progress of labour's resistance to controls provides a mirror image of the history of the AIB. In the start-up phase, when the AIB was in a state of bureaucratic confusion, and the whole program was struggling under a cloud of public scepticism, it appeared briefly as if labour's unexpectedly vigorous opposition would become concretised in a real fight to destroy the wage restraint program. But just as labour leaders assumed a more threatening posture, and warned of confrontations to come, they were developing a strategy of opposition which systematically moved off the terrain of overt conflict. Labour leaders all agreed that wage and price controls constituted an attack on collective bargaining and were part of a broader attempt to reverse the gains of the working class throughout the post-war period. Unwilling to surrender they were at the same time incapable of organising the fight. Schemes for "tripartism" and "social corporatism" proved to be hopelessly misdirected attempts to avoid the issues of the day. The CLC's plan for a fundamental reorganisation of relations between business, labour and the state following the termination of controls has since been proven to be nothing more than a short term expedient designed to avoid the task of a genuine restructuring of the union movement based on mass mobilisations to resist employer and state attacks.

This chapter examines some aspects of labour's resistance to controls. But before doing so there are two general points which bear directly on the problem of explaining the limitations of organised labour's opposition to controls. The union movement in Canada suffers from two fundamental weaknesses. First, its organisational structure and the greatest proportion of its resources are committed to the struggle over the narrow economic issues defined by the parameters of collective bargaining. Second, the current structure of unions is based on the separation and polarisation of interest between the unions' leaders and the union membership. Each of these apects of trade union organisation is considered briefly below.

Marxists have frequently analysed the inherent structural limitations of trade union organisation. While unions are the historical product of class struggle, they are limited and bounded by the character of capitalist economic and political relations in which they are situated. Trade unionism, "organises workers not as producers but as wage earners, that is a creation of the capitalist system of private property, as sellers of their labour power. Unionism unites workers according to the tools of their trade or the nature of their product, that is according to the contours imposed on them by the capitalist system".[2] As day to day instruments of defence against the authority of employers, trade unions provide an effective organisational vehicle. But as instruments for the organisation and conduct of struggle over broader social and political issues, unions are much less effective. Over time, trade union organisation reinforces sectional and local interests over and against <u>class</u> interests. It is only when they transcend their own organisational limitations that unions can play an important role in animating the broader social and political struggles of the working class. Similarly, in their everyday mode of organisation and activities, union are vulnerable to the power and authority of the capitalist state.

The structural limitations of trade union organisation have been reinforced with the entrenchement of collective bargaining. Historically the introduction of compulsory bargaining facilitated the growth and stabilisation of union organisation. The rights and freedoms which are embedded in the system of collective bargaining provide protection from employer attacks and legally guaranteed means for workers to exercise their collective economic power in the struggle against employers. But this broad institutional accommodation of unions has been accompanied by a profound adaptation to the existing relations of economic and political power. The laws and institutions associated with collective bargaining not only define the sphere of workers's rights. They also define all those aspects of economic and social relations where workers and their unions exercise absolutely no rights. The trade union movement has been caught up in a process which Ernest Mandel describes as the "dialectic of partial gains". Even while unions have won certain victories in the struggle for recognition and the right to strike they have gradually been forced off the terrain of broader social struggles. Concessions at the level of economic class relations have tended to reinforce the separation of the economic and political class struggle. The sphere of union activities has been progressively limited to an almost exclusive focus on 'bread and butter' issues of wages and related benefits.

The gradual narrowing of the sphere of union activity, and the structural integration of unions into the system of employer authority and the political organisation of class rule, is characteristic of the development of the union movement in Canada. One clear consequence of this process has been the evolution of forms of organisation which correspond exclusively to the task and objectives associated with collective bargaining. Although trade unions in Canada have historically developed positions on political issues and questions of social policy, their role as a social and political force has been extremely limited. In the face of the Anti-Inflation Program the trade union movement in Canada lacked both the organisational capacity and the experience to conduct a struggle against the policies of the Liberal government. Through the whole course of its efforts to develop a strategic response to the AIB, the CLC was revealed as a disasterously weak and inappropriate instrument of defence against state attacks. The political weakness of organised labour was underscored by the political isolation of the CLC and its inability to command the loyalty of the NDP, both of which were important prerequisites to developing effective opposition to controls.

The integration of unions into the process of collective bargaining and the accompanying narrowing of their organisational capacities has also had imporant consequences for the organisation of relations between union leaders and their members. Beginning with Engels, marxists have identified a divergence of interests between union leaders who derive material privileges from the existing structures of union representation, and the interests of the members they represent. Situated in an institutionally defined relationship to employers and the state, union leaders frequently exhibit a preference for the conduct of union activities according to established rules and procedures. It is not uncommon for a union leader to oppose all forms of membership initiated activity which proceed outside the boundaries of the legally constituted authority of unions. The post-war routinization of forms of conflict and negotiation between unions and their employers tended to deepen the underlying division between union members and the bureaucratic leadership of the union movement. The extension of the legal rights of unions re-inforced the power of office over and against the power of the rank and file. Unions were no longer compelled to guarantee their own organisational integrity solely through the mobilisation and participation of the rank and file. As the terrain of economic struggle was displaced from its immediate location on the shop floor and the picket line to the bargaining table, rank and file union members suffered a gradual disenfranchisement.

None of this is meant to imply that there is no interaction or reciprocity of interests between union members and their leaders. The membership exerts its influence through union elections, contract votes, regular union meetings and direct action. For all their shortcomings, unions remain the most democratic institutions in capitalist society. Influence exercised through informal channels is a constant source of pressure shaping the activity of union officials. Particularly at the lower levels of union organisation, no leaders can afford to disregard the interests or demands of the members. The career of any union leader depends on his/her capacity to gauge the attitude of the rank and file. The point however, is that the relationship between members and leaders is an attenuated one. For their part, union leaders conceive of their role as acting in the interests of a membership which is not a participant in the important areas of union activity. Inflating their own personal importance, union leaders substitute themselves for the active presence of union members. Bargaining stategies and union demands are formulated and advanced on the assumption of an inert and passive membership, whose primary function is to follow the recommendations of its leaders. For union members, the dominant mode of participation is reduced to a negative power to veto particular decisions, or candidates for union office. For all too many trade unionists it is probably true that 'the union' appears as an external institution, one of many boxes on pay stubs which lists deductions from weekly wages. From time to time the rank and file will seize the initiative in order to reverse specific decisions or even to overthrow the existing leadership. However, as a general rule, union members in Canada today are reduced to a passive role, complicitous in a relationship in which they voluntarily alienate their power over union affairs. All of this weakens the power of trade unions to implement effective strategies of struggle.

The weakness rooted in the internal organisation of the trade unions in Canada were visible in labour's strategy of opposition to wage controls. Union leaders completely failed to grasp the fact that the only power capable of destroying the wage restraint program was the combined strength of a mobilised membership. For two reasons union leaders were unwilling to directly confront the task of convincing the membership of the necessity for an all out struggle to defy the AIB. First, a significant minority of the union membership supported or remained indifferent to the Anti-Inflation program. An effective strategy of opposition to the AIB involved a campaign to convince union members of the negative consequences of controls over and against the arguments of the Liberal government and the AIB. The union leadership was unwilling to test its own legitimacy against that of the federal government. In this respect, the existence of a relatively strong current of minority opinion in favour of controls deterred union leaders from adopting bolder initiatives in the fight against controls. Second, union leaders clearly feared all forms of opposition requiring rank and file mobilisations. Through long years of experience, union leaders had come to distrust their own membership. Appeals for rank and file activity could fail, leaving union leaders isolated and vulnerable to attack. Or strategies of mobilisation could succeed in which case, 'things could get out of hand'. Jealous of their own bureaucratic prerogatives, and eager to confine union activity to forms which ensured their own legitimacy, union leaders always subordinated the tactic of mass mobilisation to established forms of representation and activity. At every point the strategy of opposition to controls acted to reinforce the passivity of the membership and block or restrict broader forms of rank and file participation.

Bargaining As Usual

Following the tabling of the Attack on Inflation labour leaders issued a barrage of statements announcing their total opposition to controls and declaring their intention to oppose controls by whatever means necessary. On the first day of the controls program, the United Electrical Workers issued a press release containing the text of a telegram to Joe Morris calling for a "total mobilisation" against controls.[4] Commenting on the proposed legislation Joe Morris stated; "I tell you this is one goddamn law I am prepared to disobey no matter what the cost".[5] "This time around could mean labour has a real battle on its hands".[6] Speaking to delegates to the Ontario Federation of Labour Convention, President William Archer advised unions "to resist if necessary and suffer the penalities that resistance entails if the Anti-Inflation Board attempts to rollback negotiated benefits".[7] Grace Hartman, newly elected president of the Canadian Union of Public Employees, denounced wage controls as "unfair, unworkable and undemocratic" and warned controls would result in widespread strike conflict in the public sector".[8] During the first week of November, Shirley Carr, Executive V.P. of the CLC, announced the Congress would undertake the broadest possible campaign against the "cruel doctrines" of wage controls.[9]

If the federal government was surprised by the force and verbal violence of labour's opposition it was also quick to respond. Judiciously distributed among gentle appeals for voluntary cooperation and responsibility, Trudeau and Cabinet also directed naked threats of repression at the labour movement. Said Pierre Trudeau; "We are just going to have to use the police first against the big and powerful".[10] "You know, you put a few businessmen or a few union leaders or a few landlords or a few doctors in jail for three years and others will get the message".[11] The suggestion that repression would be distributed equitably could hardly conceal the real target of these remarks. Bryce Mackassey, erstwhile 'friend of labour' accussed the unions of being on an unpatriotic "collision course with society similar to that which wrecked the British economy ... The Anti-Inflation Program could be a blessing in disguise, a lever to shunt the unions off their collision course with society ..."[12]

Under the heat of warnings that repression would be used if necessary, the campaign of "total opposition" which labour leaders had originally promised was redefined within much narrower limits. While labour leaders had rhetorically declared their willingness to violate the law, it soon became clear that this approach would not be implemented as a strategy for collective action. Tough talk was qualified by a refusal to specify how far labour would actually go in its resistance to controls.[13] Promises of civil disobedience disappeared from the text of speeches within a few weeks after the announcement of controls. Several early rollbacks recommended by the Board made it clear that the union movement would have to throw its full weight into encouraging and backing up union locals which chose to defy the AIB. The Irving decision in February confirmed that the union movement as a whole and its central body the CLC lacked sufficient solidarity and determination to openly challenge rulings of the Administrator.

In the fall of 1975, there was heated debate over the issue of organising protest strikes and/or a general strike in opposition to controls. A few union locals made it clear that they were prepared to strike against the recommendations of the AIB. In Quebec, the CSN and the FTQ organised the first mass demonstration (5,000) against controls. A small number of union leaders, among them Dennis McDermott of the UAW raised the possibility of a general strike at some unspecified point in the future. But the outcome of several labour conventions and the pronouncements of leaders of the CLC, made it evident that such mobilisations would be a subordinate component of the strategy to fight controls. At the annual convention of CUPE and the OFL, several resolutions calling for a one-day general strike were introduced but failed to reach the convention floor.[14]

In counterposition to open defiance backed by mass mobilisation, the strategy of union opposition was summarised under the slogan "bargaining as usual". Unions would continue to bargain without regard for the formal Guidelines and ignore the recommendations of the AIB as long as possible. In January 1976 this became the formal position of the CLC, which adopted a 3-Point Program to fight the intervention of the AIB into wage negotiations. First, unions would not sign any agreement containing the qualification that it was subject to the approval of the AIB. Second, unions would demand a provision in the collective agreement in which the employer expressly stated its support for negotiated settlement. Third, unions would bargain for immediate implementation of the signed agreement.[15]

Where bargaining as usual actually assumed the form of a concrete bargaining strategy it was comprised of two elements. Unions were anxious to establish the right to bargain for settlements in excess of the arithmetic Guidelines or any interpretation which employers might attempt to offer as an excuse for placing a ceiling on wage negotiations. For the most part unions were successful on this point. Legal rulings supported the union position and the AIB maintained a strict policy of an arms-length relationship to collective bargaining. With this aspect of leverage in relation to the AIB, union representatives hoped that a signed agreement coupled with the administrative difficulties involved in the review process would limit the Board's actual ability to rollback settlements. Further, given the time lag between the implementation of a signed agreement and the eventual imposition of a legal order to rollback a settlement, the unions hoped to take advantage of the reluctance of the Board and employers to recover "excess payments". Thus some unions advised their locals to ignore the recommenadtions of the AIB, and appeal to the Administrator, following the reasoning that the longer an agreement was in effect the less likely it would be that the Administrator would impose either a rollback or an order to recover past overpayments.

Probably the most successful attempt to develop bargaining as usual into a coherent strategy of resistance to the AIB was the case of the United Autoworkers. The UAW bargaining strategy was based on the principle of pushing the AIB to the point where it was forced to invoke coercive measures. The idea was that the Board would show a greater reluctance to enforce the Guidelines through the mechanism of a legally binding order. And where rollbacks were ordered, union members would clearly understand that these were the direct result of state intervention. "During all of this, we made it clear that we weren't going to let the corporations and the government off the hook by selling the Guidelines amount to the workers (and therefore taking some of the flack ourselves). We were determined to force the government to do the dirty work themselves amd therefore expose themselves to the employees". The UAW was adamant that employers commit themselves to full and immediate implementation of the collective agreement. It consistently blocked employer attempts to implement Board recommendations and backed up its opposition with the threat of strikes. But this challenge to the AIB was confined to the early stages of the review process. "Once the Administrator was reached we no longer threatened strike activity. At this point the law was unambiguous and we felt that only the combined support of the labour movement as a whole could take on controls."[16]

For the UAW the opposition to the AIB by means of bargaining as usual produced some results. Comparing contract settlements of the Autoworkers with the average wage settlements, and the level of settlements imposed by the AIB, the union calculated that the UAW contracts achieved annual wage increases between .5% and 1% higher.[17] But as these modest figures indicate even the most rigorous exercise of existing bargaining rights in relation to the Board yielded only very limited results. In the early stages of the Anti-Inflation Program the attempt to test the authority and effectiveness of the AIB was reinforced by the Board's own administrative confusion, and its reluctance to employ more brutal methods of enforcement which were at its disposal. But over time the early efforts to overwhelm the Board in its own red tape produced diminishing returns. Once the Board had established a stable administration and asserted its political legitimacy, it was much bolder in its willingness to push back against defiant unions.

To some extent all unions achieved some periodic successess against the AIB. The weakest point of the entire control program was the problem of imposing punitive rulings which called for a recovery of overpayments. It was not uncommon for the Administrator to order the recovery of only a fraction of excess wages already paid, or for corporations to find some form of subterfuge in order to avoid incurring the wrath of employees. Union leaders frequently warned that punitive rollbacks would have a negative effect on productivity.

But for the most part resistance through the established legal bargaining channels proved to be ineffectual. On this point the limited successes of the UAW only serves to highlight the weaknesses of other unions' efforts to fight the AIB at the bargaining table. Unlike most unions in Canada the UAW was distinguished by a much larger average size of union local, some extremely big union locals which influenced bargaining patterns in the whole auto industry and a strong centralised leadership. The powerful leadership of the UAW was able to develop a uniform strategy whoch local negotiators followed, confident in the knowledge that they enjoyed the full support of the whole union. For all these reasons, the UAW was able to offer some resistance to the AIB. But for less militant and weaker unions, brinksmanship with the Board was either impossible or failed to produce anything except marginal results.

Formally the great majority of unions were committed to the CLC's anti-controls program. This also extended to a commitment to bargaining without regard for the Guidelines and where possible to resist the recommendations of the AIB. But there was never a coordinated campaign to defy these recommendations, and from the beginning the overwhelming majority of unions either voluntarily accommodated themselves to the Guidelines ceilings or were forced to bend under the pressure of the restraint. Several unions adopted a position which was simultaneously opposed to the Guidelines and at the same time in practice represented an accommodation to the AIB. The United Steeloworkers for example summarised their position in the following terms; "We reiterate that neither the Act nor the Regulations impose any restrictions on collective bargaining. We should insist on collective bargaining in a usual way with the negotiated rates and benefits written into the collective agreement regardless of the Guidelines, even though the actual payment of the negotiated rates and benefits may have to be modified for the time being".[18] In other words, it was bargaining as usual except for the fact that the existence of the AIB made it impossible to bargain as usual. While a number of Steelworker locals fought an aggressive struggle against the Board, threatening and sometimes exercising the strike threat, they did so without any assistance whatsoever from their district leadership. The actual opposition of the USW as a union was limited to mounting various and ineffective legal challenges to the AIB.[19] Throughout the period of the wage restraint program, USW local unions were left to develop their own isolated response to the AIB according to their willingness to fight. Inevitably this tended to encourage many locals to simply accept the AIB as a fact of life.

In other cases, unions quickly adopted a policy of attempting to consult with the AIB prior to or in the midst of negotiations. "Some unions, despite the anti-controls program have gone to the government and/or Board before negotiations, to obtain some idea of what the Board would consider an acceptable pay increase. Among them have been the building trades whose representatives met with the Prime Minister and other Cabinet Ministers in late November. And just before Christmas, labour leaders of the railway unions had a similar conference with the AIB and other Labour Department officials".[20] Such moves obviously seriously eroded the credibility and effectiveness of the CLC's campaign to make controls unworkable.

A significant minority of unions made little or no attempt to resist the AIB. But even among the most militant unions, day to day opposition proved difficult to sustain. CUPE for instance was in the forefront of the whole campaign against controls, and committed itself to a strategy of coordinated opposition to controls. Grace Hartman pledged the support of the national union in all conflicts against the AIB. "We will tell our local unions, who are on the front lines, to go into their bargaining sessions and fight for a collective agreement as if the new legislation did not exist. And we will assure them that we are solidly behind them with our financial and moral support".[21] But time proved that Hartman and the CUPE leadership were unable to deliver on their promise. By the end of the first year of controls CUPE's fight-back had been reduced to a strategy of "controlsmanship". The national office issued bulletins, which detailed the pattern of AIB decisions and the various 'loopholes' in the Guidelines. The bulletins were accompanied with the disclaimer that they "are not meant to be taken as acceptance of the AIB or controls of any kind. However, more than a year's experience with the regulations has led to uncovering certain methods and procedures which will best serve CUPE's members' interests."[22] In reality the whole controlsmanship exercise had become the only form of opposition to the AIB. From a bargaining strategy which committed the union to defying the Guidelines, opposition became narrowed to searching for specific tactics to ameliorate the impact of the Guidelines.

The failure of most unions to develop a strategy for effectively defying the recommendations of the AIB was in many respects the achilles heel of the entire fight-back campaign. The UAW and militants from other unions recognised that controls could not be defeated exclusively on the economic terrain. But at the same time it was equally apparent that ineffective opposition to the AIB on particular recommendations and settlements at the local level, represented the thin edge of the wedge which was eroding and dissolving labour's opposition to the controls program. As the presence of the AIB became evident through rollbacks and lower settlements, union members were inclined to see the Guidelines as a fact of life. The failure to mount effective opposition on the bread and butter questions of wages and compensation obviously called into question the meaning and usefulness of repititious statements of militant opposition from union leaders.

The failure to establish a firm foundation of resistance to controls in a bargaining strategy which actually disrupted and violated the regulations of the wage restraint program, exposed a telling weakness of union organisation. Union leaders did not know how to defy the AIB <u>on the ground</u>. Statements that the union would provide "moral and financial support" neatly side-stepped the critical problem of developing political support. It was not exclusively a matter of the unwillingness of leaders to assist local unions. In most cases the structure of collective bargaining and the prior experience of the bargaining process blocked efforts to centrally coordinate local struggles, and concentrate the entire resources of a union in a specific conflict. The organisational failings of unions, and the difficulty of creating a mobile and flexible apparatus of struggle, were compounded by a consistent retreat from all areas of confrontastion involving open defiance of the AIB rulings and legal sanctions of the Administrator. Nothwithstanding the occassional reference to civil disobedience and the general strike, as a matter of policy unions and their central leadership were clearly unwilling to cross the threshold of legality in their opposition to the Board. Instead the unions adopted a strategy of opposition which circumvented the dual problem of a genuine restructuring of union organisation and the mobilisation of the rank and file. Abandoning the sphere of immediate struggle against the AIB, the unions diverted their resources into a public relations campaign which quickly proved to be a total failure.

Why Me?

From the earliest policy statements, the CLC Exceutive Council described controls as a "cold calculated move by the government to fight inflation on the backs of the working men and women in Canada."[23] The CLC's criticisms of the inequity of the wage controls program developed around two themes. The first was the argument that the price controls program was a sham. The CLC persistently complained that controls did nothing to deal either with corporation pricing policies or with erratic fiscal and monetary policies, which together were the real sources of inflation. The second theme of opposition was labour's argument that wage and price controls ignored basic inequities which the CLC had already outlined in its 9-Point Program. Once again the 9-Point Program served an ambiguous function as an alternative to the Anti-Inflation program and as a list of preconditions for labour's participation. For some union leaders the 9-Point Program was a vehicle to demonstrate the fundamentally inequitable character of the Anti-Inflation Program. For others it was conceived as a way for labour to demonstrate its willingness to talk with the federal government. For example in the view of Claude Edwards of the Public Service Alliance of Canada, the 9-Point Program was to be used as a tool demonstrating labour's constructive attitude and a basis for proposing legislative amendments. "We should not appear... to the general public as being completely intransigent".[24]

Within two weeks of the announcement of controls, the CLC had outlined a broad program of action. In addition to collective bargaining as usual, the CLC's program included a nationwide campaign to expose the injustices of the Guidelines and organised support for the 9-Point Program; organisation of schools and seminars explaining the significance of the Guidelines to union members, reorganisation of the CLC staff to provide assistance to individual unions; and the launching of legal challenges to the Guidelines.[25] Accompanying all of this, the CLC set up a national campaign structure, complete with regional coordinators, plans for the organisation of speaking engagements, the production of literature for public distribution, and a campaign fund.

Notably absent from the CLC's anti-wage controls campaign was "organisation of grass root support to have the proposed legislation rescinded".[26] Early discussions within the top levels of the CLC had considered the issue of mobilisation and dropped it from the outline of the CLC's campaign strategy. In the first six months of the fight against controls there were several large demonstrations. On March 22, 1976 the CLC's Annual Submission to the federal government was accompanied by 30,000 demonstrators on Parliament Hill. This was a major show of force, and along with simultaneous demonstrations at a number of provincial legislatures, altered the atmosphere and the mood within the labour movement for some months to come. But significantly, mass demonstrations were conceived as strictly subordinate components of the main thrust of the CLC's campaign. Further, even in the case of the largest mobilisations(Ottawa: March 22, 1976; Toronto: April 28, 1976; and the National Day of Protest), these manifestations were organised and actively supported by only a small minority of unions affiliated to the CLC. The March 22 action for example, was comprised primarily of three union groupings; the UAW who organised the "Great UAW Train Ride to Ottawa", municipal employees from the city of Ottawa, and 10,000 Quebecois workers from the CSN and the QFL. Throughout the first year of protests most unions proved unable or unwilling to mobilise their members. For example, despite relatively militant positions, CUPE proved completely ineffective in drawing its members into active demonstrations against controls. During the Day of Protest, the major public sector unions were woefully under-represented.[27] The USW, the largest industrial based union in Canada, abstained almost completely from centrally coordinated membership mobilisations. Finally, the CLC's organisation of the Day of Protest was conducted entirely at arms-length from the unions and local involved.

In contrast to a strategy of mobilisation, the main thrust of the anti-controls campaign was concentrated "in the public relations areas, since our main concern is to make the public, including our own members aware of the harmful effects that the legislation is bound to have on them".[28] The subsequent public campaign of the CLC suffered from serious weaknesses of both form and content.

The tabling of the Attack on Inflation thrust the CLC onto center stage in coordinating labour's opposition. Many writers and labour leaders correctly point out that this was one of the most significant effects of the entire controls program. For the first time affiliated unions acknowledged the primacy of the Congress in developing and coordinating the strategy of the union movement. Prior to controls the CLC had limited financial resources, a small staff and a narrow mandate from its affiliated unions. With the advent of controls much of this changed. In comparison with its previous stature the CLC's participation in the anti-controls program appears impressive. The sheer size of its campaign fund ($500,000 indicates the extent to which the whole effort to coordinate the fight against controls took the CLC far beyond the boundaries of its established functions.

But despite the unprecedented dimensions of the CLC coordinated campaign its impact was limited. While the CLC enjoyed formal support and in some cases the active participation of its affiliates, it did not develop the lines of internal communication necessary to transmit information or the internal organisation to coordinate joint actions. Similarly, within most affiliates there was no adequate means of directing information and plans for action to the local level. The decentralisation and fragmentation of the union movement in Canada presented real organisational difficulties which could not be resolved by resolutions and declarations of support for CLC campaigns. The problem of carrying a campaign to the base of the union movement was compounded by the CLC's fixation on the public relations dimension of the fight against controls. Much of the literature and other forms of propaganda produced during the campaign were explicitly directed at the general public. The singular emphasis on this aspect of the fight against controls meant that the campaign tended to develop in parralel with union structures rather than internal to them. The same attenuated relations, in which union members often perceive 'the union' as an external institution was thus reproduced in the anti-controls campaign. Union members received word of 'their' fight against controls through the mass media rather than through the organisation of their own union. The general thrust of CLC propaganda tended to confuse the different problems of educating union members and informing the wider population through an intervention in the public debate. In its failure to distinguish two different audiences, the CLC also failed to separate out two different questions. The campaign focused almost exclusively on the theme of 'why controls are bad', at the expense of directing attention to the far more difficult task of 'how to fight and defeat controls'.

Undoubtedly the Congress' vocal and high-profile opposition to controls served its function as a constant source of pressure on the AIB. The rhetorical question "Whatever Happened to Price Controls?" forced the AIB to scramble to produce evidence that the price Guidelines were in place. But the CLC's attempts to contest and refute the Board, Cabinet and the mass media on their own terrain were completely misplaced. On a dollar for dollar basis it is obvious that the channeling of $500,000 into what was essentially an advertising campaign could not possible compete with the AIB which, even defined narrowly commanded an annual budget of $25 million. For every poster or press release which exposed the facts or criticised the Anti-Inflation Program, there were 100 statements refuting labour's claims, justifying the necessity for controls and proving their effectivenss. The only possible key to unlocking the resources required to challenge these claims was the actual mobilisation of an informed rank and file. The diversion of campaign funds into the sink-hole of advertising agencies (as opposed to its utilisation in facilitating direct contact with and education of union members) proved to be an investment which produced little or no return.

The form of the anti-controls campaign inevitably encouraged a passive attitude on the part of union members and other individuals, regardless of their opinions on the issue of wage and price controls. This was further reinforced by the content of public statements, resource materials and campaign posters. Without exception the propaganda of the CLC and all the major unions was committed to carrying a single message to working people in Canada -- workers and other economically powerless groups were the victims of the Anti-Inflation Program. To take one of many examples, early in the campaign the CLC produced a large document intended to provide background information and speakers notes for union representatives explaining the CLC's rejection of wage and price controls. These notes were organised under the theme "Why Me?" They dealt at length with the sources of inflation, the failure of government economic policy, and various proofs that labour was not the cause of inflation.[29] While all of this was true, and required frequent emphasis, it was the entire content of labour's public opposition to controls. Far from attempting to mobilise any form of popular opposition, the "Why Me?" campaign was limited to the creation of a loathsome image of working people as the powerless and impotent target of corporate and state attacks. The graphic which often accompanied the slogan "Why Me?" was a cartoon figure standing with a large screw piercing his body, and an astonished expression on his face. It is appalling that the central leadership of the trade union movement could be the inspiration behind one of the most insulting caricatures of the working class ever projected in a public campaign. The entire "Why Me?" campaign served only to reinforce a perception which was already pervasive in Canadian society. Wage controls were 'screwing' workers and they were taking it. Unable to develop any concrete program of action, the CLC ended up rubbing salt in its own wounds.

The introduction of the slogan "Whatever Happened to Price Controls?" represented only a marginal improvement. Over the period of the whole controls program the union movement concentrated its attention on demonstrating all the ways in which price and profit Guidelines were ineffective or did not exist. But after the first year of the program even the most self-serving corporate spokesmen abandoned all attempts to claim that controls were exercising an equally restraining influence over wages, prices and profits. But despite the almost universal acknowledgement of this fact, all the major unions continued to waste time and money proving the obvious. "It is important to see that the whole point of controls is to be unfair to labour. In a capitalist economy strengthening the economy means catering to the corporations who control production and this means that solutions to crises must be at the expense of the workers in order to benefit corporations".[30] During the last two years of the AIB when wage settlements were falling rapidly behind rising prices, it was hardly necessary to prove that price controls were a fraud. The more fundamental problem remained how to fight the Anti-Inflation Program.

Labour's Manifesto

Six months after the formation of the AIB there were real signs of militancy within the ranks of the union movement. Sporadic strikes and protests against the AIB, instances involving the reversal of Board decisions as a result of union pressure, and a number of major demonstrations against wage restraint, all provided evidence that organised labour really did possess the power to defeat the controls program. Immediately prior to the May 1976 CLC Convention there was mounting pressure from union militants for a program of decisive action. Although support for the conception of a general strike remained uneven, it had nevertheless gathered force in the weeks preceding the convention. At the same time that the depth and weight of union opposition was becoming clearer, the function and objectives of the Anti-Inflation Program were also becoming apparent. The AIB was beginning to provide proof of its stated intention to drive down the level of wage settlements. The CLC and the trade union leadership as a whole found themselves squeezed between contradictory pressures.

The external pressure of state intervention and the internal pressure from the base of the union movement set the immediate context for the introduction of _Labour's Manifesto for Canada_, and the accompanying Program for Action, submitted to the May 1976 CLC Convention. The focus of that convention, the _Manifesto_ provided an assessment of labour's experience under wage and price restraint and it set out a broad framework for the development of a strategic response. In clear and simple terms the _Manifesto_ detailed the consequences of wage controls for organised labour;

-- a steady stream of collective agreements are being rolled back;

-- free collective bargaining has been suspended;

-- there is no effective recourse to appeal;

-- once a collective agreement has been concluded it has to be renegotiated all over again with the AIB;

-- unions are increasingly having to face the prospect of striking against the AIB and, by implication, the government;

-- the arithmetic guidelines are being applied with a bureaucratic slavishness which makes nonsense of the "historical relationships" and "special considerations";

-- gross inequities are being created among workers doing the same job. 31

The Manifesto went on to situate the program of controls within the more general context of an emerging attack on the historically won social rights of the working class in Canada. As it explained, wage controls were accompanied by the accelerated erosion of social services and government attempts to reduce the level of social expenditure. "The federal government is introducing legislation to limit the share of the cost of medical services and reduce its share of the total cost of unemployment insurance. In the provincial sector governments are reducing the budgets of welfare agencies, increasing medicare costs and introducing work-for-welfare schemes".[32] In the assessment of the Manifesto, the Anti-Inflation Program was the leading edge of a broad attack on the working class. "The likely outcome of the Anti-Inflation Program is clear: controls mean wage controls; tighter money means fewer jobs; cutbacks further reduce the price of labour. The effect of government policy is to attack the very things which have, in post-war history, led trade unions to the view that the system has served them well."[33]

Finally, the Manifesto explained that the controls program was proof that labour as it was presently organised lacked the power to resist the jointly coordinated employer/ state attacks. "The fact that governments feel free to conduct their initial attacks against wages and social security programs demonstrates labour's real lack of political power on a national basis".[34] As long as labour was incapable of altering the existing balance of forces, trade unionists and the working class as a whole would be forced to carry the entire burden of the economic crisis. This meant not only that the union movement would suffer under traditional techniques of economic management designed to cut social spending and raise the level of unemployment, but also that labour would face the progressive erosion of collective bargaining rights as a consequence of political measures designed to reinforce the effects of economic policy. Unless labour could muster the power to reverse these broad trends, it faced the inexorable erosion of wage levels, living standards and social rights.

The Manifesto proposed to address the dual problem of halting the trend of social and economic policies and outlining a strategy through which labour could exercise leverage over the basic economic and political issues of the day. On the first point the Manifesto reiterated a program of social demands which had been outlined in 1975. This included demands that the federal government commit itself to policies aimed at maintaining full employment, broaden the sphere of state responsibility for guaranteeing social security, and introduce measures aimed at reducing existing inequalities. All of this was advanced as the basic precondition for labour's endorsation of the federal government's economic policy. However the real innovation was the *Manifesto*'s outline of a strategy for achieving these objectives. It put forward the demand that labour be integrated as an equal partner with government and business, in a reorganised framework of state social planning. These proposals were not entirely new. Throughout the whole post-war period labour had frequently appealed to the federal state for an expansion of labour's role in the apparatus and agencies of state planning. What distinguished the *Manifesto* was the formal codification of a policy orientation which had developed in bits and pieces over several decades. The delegates to the 1976 CLC Convention were being asked to vote on a clearly stated program which outlined labour's objectives in all major areas of economic and political relations. Although it was much less clear on the question of how these objectives would be achieved, the *Manifesto* argued that this goal could only be reached through a strategy of forcing business and government to grant broad concessions to the union movement. "If we have the power to resist wage controls, we also have the power to create *social* democracy. But for this to occur, organised labour needs to develop national bargaining power to deal with the national economic managers and the national social and economic program -- a bargaining position".[35]

As an assessment of the political context of wage and price controls, the Manifesto was a surprisingly acute document. It presented a clear class analysis of the functions and objectives of state intervention. However, as a contribution to clarifying and focusing the immediate tasks of the labour movement, the Manifesto served as a diversion and a betrayal of the struggle to force the Liberal government to withdraw controls. And as a long term social and political strategy for organised labour, the Manifesto proved to be an ineffectual and utopian plan. Each of the latter two aspects of Labour's Manifesto are considered below.

In many respects the most striking feature of labour's Manifesto was the fact that it marked the point at which labour officially abandoned its objective of defeating the Anti-Inflation Program. During the first six months of wage controls, the CLC had formally withdrawn its representatives from the Economic Council of Canada, Canada Labour Relations Council, and all other advisory policy bodies. As the president of the CLC had explained, the controls program represented a naked attack on the union movement and labour could no lonegr collaborate with the government responsible for the mandatory controls program. However, following the publication of the Manifesto, the CLC became increasingly involved in an endless series of discussions with the federal government. After the 1976 convention the entire focus of labour leaders' activity was a discussion with Cabinet Ministers and their assistants and their deputies over the issue of organising the post-controls regime. Less than a year after labour had declared war on wage and price controls, it was committed to negotiating with the enemy.

The Manifesto also contained a Program of Action which ostensibly addressed itself to the immediate task of fighting controls. But as Leo Panitch pointed out at the time, the so-called Program of Action was primarily a "list of vague generalities urging affiliates to commit time to publicising the CLC's opposition to control's."[36] The single substantive proposal advanced was that the convention grant the CLC Executive Council "a mandate to organise and conduct a general work stoppage or stoppages, if and when necessary".[37] This proposal subsequently materialised in the October 14, 1976 Day of Protest. From the very beginning militants in the union movements had argued for a general strike. The Executive Council's proposal to opt for such a policy "if and when necessary" was obviously the result of left-wing pressure. But by contrast with the plan adopted at the convention, militants projected a general strike as the culmination of a succession of increasingly mass mobilisations. In this view the general strike was the logical outcome of systematic collective defiance of the wage control program. Any other approach would clearly build up false expectations regarding the effectiveness of a single protest.[38] But the CLC leadership ignored these arguments for one basic reason. In their view the Day of Protest was never intended either to bring down controls or to organise further actions which would defeat the Anti-Inflation Program. Within the bureaucrats scheme of things, the Day of Protest fulfilled the dual function of relaxing pressures from the base, and enhancing labour's bargaining position in relation to the state. Notwithstanding its unprecedented dimensions, the Day of Protest bore remarkable resemblance to the routine conduct of localised strikes. For the CLC, the Day of Protest was simply a tactic in its broader negotiating strategy. This somewhat cynical view of the One Day Work Stoppage is confirmed by the fact that ultimately the Day of Protest served to demoralise the ranks of the union movement and dissipate future opposition to controls. While the Day of Protest was in one respect the culmination of a serious test of strength between organised labour and the Canadian state, it was also conclusive evidence of labour's defeat.

Certainly the most debilitating consequence of the Manifesto was its short term effect of derailing opposition to wage controls. However, since the Manifesto professed to provide organised labour with a long term strategy for dealing with business and the state, its political efficacy should also be considered briefly. The CLC's original proposal for "social corporatism", and the transmutation of this concept into "tripartism" became the focal point of a heated debate over the issue of which way forward for the labour movement. The premise of the Manifesto was fundamentally social democratic in character. Its underlying assumption was that the capitalist system was gradually being transformed through the progressive expansion of the range and magnitude of state intervention. In the view of the Manifesto, it was the labour movement's task to fight for broader participation in this process. In the six short years since the publication of the Manifesto this opinion and associated political positions, have once again been resoundingly refuted by the course of events. As the economic and social crisis of Canadian capitalism has progressively deepened the flexibility of the system has been dramatically reduced. In the present context the proposals outlined in the Manifesto appear as both utopian and naive.

Labour's demand for increased participation ignored some fundamental features of the relationship betwen organised labour, business and the state in Canada. Through the late 1960's and the first half of the 1970's there was a broad debate over problems of economic and social planning. Labour representatives, academics, and politicians all developed schemes related to the problem of stabilising the system of industrial relations and developing new forms of institutional accommodation which would reduce the level of overt economic conflict. All of these schemes hinged on the dual problem of promoting industrial harmony and integrating the apparatus of the union movement into the system of state economic and social management. Proposals along these lines formed the background of Labour's Manifesto. But what all such plans underestimated or overlooked was the unwillingness and incapacity of the capitalist class to grant significant concessions to the union movement. In the course of the entire debate over planning, capitalists consistently vetoed corporatist or tripartite schemes. Thus while Labour Minister John Munro was actively developing a program to promote industrial harmony, the fundamental weakness of all of these initiatives was the opposition of the business community. Through habit and experience business persistently maintained a reactionary attitude towards organised labour. From the standpoint of the capitalist class, the accommodation of the trade union movement was completely unnecessary. In a word, labour was too weak to merit significant concessions. If it is true that finance capital rules Canada, it is also true that the dominant fractions of capital are forced to develop their economic and social strategies in relation to disparate regional and subordinate capitalist interests. The organisation of the capitalist class in Canada reflects the extreme fragmentation of the Canadian political economy. In the absence of a homogeneous and integrated national economy, business lacks the ability to develop a centrally coordinated response to organised labour.

Unable to seriously consider the tactic of absorbing labour into a system of central planning, capital choses the option of resistance and repression. Viewed from this angle the entire discussion over an institutional restructuring was nothing but a mirage. The current realities of the Canadian political economy preclude any tripartite arrangements. Not withstanding periodic gestures of cooperation from the federal government, the most likely model for emergent forms of state planning correspond more closely to those developed in France or Japan rather than to those developed in Sweden or even Britain. When the capitalist class discusses planning in Canada it does not include any assumptions that labour will play a significant role.

The particularly jarring feature of Labour's Manifesto was its incongruity with the context of economic and social crisis. In a conjuncture in which the state and the capitalist class had launched a coordinated attempt to roll-back the gains of the whole post-war period, it was obvious that the federal state was hardly about to initiate a re-structuring of the institutions of economic and social management so as to benefit organised labour. Following the announcement of controls, corporate representatives and Cabinet Ministers frequently appealed to the union movement for cooperation. At the end of the first year of controls, the federal government tabled the White Paper "Agenda for

Cooperation". All of these initiatives were aimed at a sort of reorganisation of relations between business, labour and the state. But in every case the underlying strategy was based on the principle of the carrot and the stick. The federal government was eager to discuss new arrangements but only in the wake of an effectively implemented program of controls. Their conception of cooperation can be summarised as follows; either organised labour willingly complied with the economic policy orientation of the Liberal government or it would face a protracted attack. Thus the conception of tripartism which was developed by the federal state was premised on the submission and subordination of organised labour to the policy orientation which had already been formulated by the state and the capitalist class. Labour was free to participate but only on the worst possible terms.

The Manifesto recognised that neither the Liberal government nor the business community would be willing to make major concessions simply as a result of labour leaders' requests. The CLC leadership repeatedly emphasised that labour could not expect to achieve its main objective unless it could wield much greater power than it currently enjoyed. Months stretching into years of negotiations confirmed this view. "The Trudeau government will not be moved unless confronted with power. Business, faced by unions organised into a single block will be forced to institutionalise on a national basis also".[39]

But the labour leadership's actual efforts to centralise and concentrate the power of the union movement were conceived almost entirely in administrative terms. At the 1976 CLC Convention the leaders introduced a proposal to shift the basis of delegate representation form local unions to affiliated unions. In effect the measure would have greatly enhanced the authority of the leaders of the major unions at the expense of union lcoals. The proposal, which was resoundingly defeated by the delegates, was virtually the only plan that the CLC leadership was able to advance as a means of centralising its own power. To their credit, the delegates to the convention recognised this proposal as a bureaucratic maneuver. The fight against controls offered a tremendous opportunity to the union leaders to play a pivitol role in a process of _actually_ restructuring the organisation of the union movement. But in order to concentrate labour's power at its upper levels it was simultaneously necessary to unleash the source of that power. As much as union leaders craved sufficient power to negotiate with the federal state from a position of strength they were clearly unwilling to open the pandora's box of mass participation and rank and file mobilisation. To the extent that the corporatist project had any possibility of success it demanded a real onslaught against the existing institutions of the state. Only the self-organisation of the overwhelming majority of the working class could possibly have accomplished this task. The bureaucratic and self-serving union leadership proved completely incapable of acting as a catalyst in this process. The *Manifesto* made a purely token reference to the need to destroy the controls program as a first step to achieving labour's objectives. This judgement proved wholly correct. Ironically the same point where labour abandoned the attempt to defeat controls, was also the point at which the tripartite project became doomed. Following labour's defeat on the issue of wage and price restraint, the only corporatist structures conceivable were those based on a more or less complete subordination of labour to the interests of capital and its state.

NOTES:

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24.Canadian Labour Congress, "Minutes of the October 24, 1975 Executive Council Meeting", p. 5.

25."Minutes of the October 24, 1975 Executive Council Meeting", p. 7.

26."Minutes of the October 24, 1975 Executive Council Meeting", p. 4.

27."Only The Beginning...", The Old Mole, (November 1976), p. 3.

28.Canadian Labour Congress, "Submission to the Executive Council", January 1976, p. 5.

29.Canadian Labour Congress, "Speakers' Notes for Labour'a Opposition to Controls", January 1976, p. 3.

30.The UAW and Wage Controls, p. 7.

31.Canadian Labour Congress, Labour's Manifesto for Canada, Ottawa: May 1977, p. 4.

32.Labour's Manifesto, p. 7.

33.Labour's Manifesto, p. 8.

34.Labour's Manifesto, p. 8.

35.Labour's Manifesto, p. 9. emphasis in Original.

36.Leo Panitch, "Labour's Manifesto", This Magazine, (November 1976), p. 45.

37. *Labour's Manifesto*, p. 46.

38. Richard Gwyn, "Confidential CLC Report Recommends Much Tougher Use of Political Clout", *Ottawa Citizen*, (Sepetmer 22, 1976).

CHAPTER EIGHT: CONCLUDING REMARKS:

Toward the end of the 1960's the long expansion came to an abrupt end. One consequence of this development was the gradual collapse of the unstable social and economic equilibruim which state economy policy had sustained during the post-war period. In the context of an acclerating inflationary spiral, a policy of wage and price restraint was advanced as a means of restoring the effectiveness of traditional techniques of Keynesian economic management. But during the late 1960's when incomes policy was first considered as a potential instrument of economic management, the rate of economic expansion and the weight of working class militancy posed obstacles to the introduction of wage and price restraint. Toward the middle of the 1970's the inflationary spiral had become qualitatively more severe and the cyclical squeeze on profits had intensified. In this context, the policy of wage restraint was redefined as a measure for initiating a broad reversal in the pattern of wage settlements while at the same time reinforcing the attempt to restructure fiscal and monetary policy in order to restore the rate of profit. Wage and price controls were adopted as the main instrument for reversing the balance of class forces.

The conjunctural impact of wage controls has already been described. In the first phase of the controls program wage restraint eased the fall in profit levels. During the last two years of the program, controls reinforced the pattern of rising profit levels. Simultaneous with the economic successes of the Anti-Inflation Program, mandatory controls were effective in inflicting a significant defeat on the trade union movement in Canada. Not only did controls dampen wage levels and social expectations which had developed during the prior period, but they also exposed the weakness and incapacity of the union movement to effectively defend the social and economic gains of the previous years.

Wage controls managed to achieve the main objective which had stimulated the introduction of the program. However, the successes of the Guidelines program only serve to highlight the failings of state intervention. Despite the relatively extended period of controls, and their ambitious objectives, wage restraint ultimately served a limited conjunctural purpose in easing the pressure on the rate of profit. The three-year operation of the AIB not only reversed the pattern of wage settlements, it also halted the trend towards broader and deeper patterns of industrial conflict. Under the rule of the AIB, economic militancy was suppressed. But here again the longer term results were less certain. The union movement suffered a severe setback. Nevertheless it emerged from three years of controls with its organisations intact.

Barely four years after the termination of the Anti-

Inflation Program the economic contradictions which framed the Liberal government's actions at the end of 1975, have all re-emerged to present more desperate policy choices in the context of a qualitatively more severe economic crisis. The success/failure of the experiment of mandatory controls raises two basic difficulties for the federal government. First, despite the scope of the mandatory controls program its results were rather modest. As the crisis deepens any future resort to mandatory restraint will necessarily imply an even broader and more sustained intervention of the state into the operation of the economy. Just as it is the case with other forms of state intervention, the reproduction of capitalist social relations necessitates the assistance of the state on an ever-expanding scale. But at the same time, state intervention introduces new distortions and compounds the contradictions inherent in the system of production, distribution and exchange. The state intervenes to solve one problem, only to have it reappear elsewhere in a more severe form. The market can no longer manage itself and the intervention of the state deepens the confusion. A longer term intervention into the regulation of wages, prices and profits, even where the emphasis of controls is decidely on the former, poses some serious problems with respect to the coordination of market forces and the intervention of the state. At every point the market constrains the form of intervention. Conversely the intervention of the state distorts and mutates the operation of the forces of the market. Ultimately efforts to plan various aspects of production, or prices, are incompatible with the anarchy of the capitalist production process and the blind forces of the market. A broader and more sustained expansion of the state into the economy will only compound the contradictions and irrationalities of the mixed economy.

Although the alternative to the massive extension of state intervention is currently fashionable, it is not at all certain that severe fiscal and monetary restraints will prove any more successful. While several capitalist governments are formally committed to the orientation which conforms to the theories of Milton Friedman, the factor which remains a powerful deterrent to the full implimentation of severe restraint and de-regulation policies is the underlying fear that the capitalist system can not survive a protracted and unregulated crisis. If the mechanisms of crisis are allowed to work their 'magic' free from state intervention, it may be that the paper thin social fabric of late capitalism will finally be torn to shreds.

The capitalist state is caught in a crisis of truly profound dimensions. The product of the growing necessity to sustain conditions favourable to continued accumulation, the hypertrophy of the state is the most visible expression of the fundamental contradiction between the social character of production and the private accumulation of social surplus.

As capitalist social relations expand they continually and with ever-greater rapidity erode the physical and social conditions for their future existence. The sphere of state activity and the proportion of social production diverted through the institutions of the state expand exponentially to absorb the accumulating contradictions rooted in capitalist production. The uncontrolled expansion of the state in the post-war period was no accident. It was a consequence of the vital necessity to maintain the expansion of capitalist production. But in a phase of stagnation and slump, the state is an obstacle to future capitalist expansion. State activity must simultaneously expand to guarantee the conditions of profitability for huge concentrations of capital, and regulate the anarchy of the global marketplace, while at the same time narrowing the sphere of state responsibility in order to redirect social surplus to capital.

The second set of problems associated with state intervention on the scale of Canada's wage control program are those related to the maintenance of political legitimacy. The Anti-Inflation Program proved highly successful as an attack on the union movement. Despite the growth in the size and confidence of organised labour in the decade prior to controls, the AIB was able to effectively restrict the rights and freedoms associated with collective bargaining. However, taking the longer view, the attack on the union movement was far from decisive. Although wages were systematically reduced, the magnitude of the rollbacks was relatively small. It is not at all clear that a more determined form of state intervention would meet with the same success. It is possible that beyond a certain point, where the vital functions of the union movement and indeed its very existence are imminently threatened, labour would respond with a violent counterattck. The union movement's first experience of mandatory controls provides important lessons for labour leaders and union members alike. If controls were introduced again, opposition would undoubtedly proceed from a clearer grasp of their function and the tactics required for effective resistance. Another problem involved with the employment of directly coercive measures to restrict the effectiveness of collective bargaining is the danger that state intervention will actually destroy the union movement. While unions represent a source of opposition to employer authority, and an obstacle to the effective implementation of state economic policies, they also serve a critical function in providing an institutional mediation between workers and employers or the state. Where the coordinated attacks of the state and employers erode the credibility of union organisation, they run the risk of triggering mass response outside the established confines of the union apparatus. The piecemeal destruction of collective bargaining and with it the existing organisation of unions could also be accompanied by a mass movement of revolt which assumes qualitatively broader dimensions than the form of union resistance hitherto developed.

For the working class there are several important lessons to be drawn from the experience of wage controls. First, controls marked the official end of post-war expansion and social progress. As the _Manifesto_ detailed, the social and political climate of the mid-1970's represented a definite shift towards reaction. Wage controls signalled the termination of a period of broad accommodation to the social demands of the working class. In the post-war period it was possible to confuse the objectives of social democracy with the evolution of the capitalist state. Since controls, it has become progressively more difficult to conceive the march of social progress proceeding through the vehicle of the capitalist state. Second, the post-war successes of the trade union movement coupled with the brief ascendency of the New Democratic Party toward the end of the 1960's gave comfort to the view that working people exercised steadily growing social and political influence. The experience of the Anti-Inflation Board exposed the bankruptcy of the trade union movement as it is presently organised, and the folly of placing exaggerated faith in the NDP. For the working class in Canada wage controls provided a concrete demonstration of the necessity to rebuild its economic organisations and forms of political representation from scracth.

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