

Williams are both correct – both the knowledge and non-knowledge of social difference enables a reification of categorized identity. If, in response to Williams, we recognize social difference, we also reproduce identities that have no essential existence. If we refuse to acknowledge these differences so as to avoid the problems of reification, we do the opposite. By (re)producing categorized identity in a state of historical amnesia, we inadvertently strengthen the powers of right to produce difference as its excess. How then can this epistemic and material violence be eradicated? Because the inauguration of the subject into social difference through discourse is inevitable, perhaps the only option is, as Butler suggests, to occupy the injurious hail in a manner that disrupts the very logic of the call itself. Such an occupation of the injurious hail must self-consciously mimic the manner in which disciplinary power has constituted the subject while bearing witness to right's historical exclusions. In this way, I would propose a movement towards a position of 'non/knowledge' – a position that takes seriously Foucault's coupling of knowledge/power and maintains that no knowledge claim can have a monopoly on truth. Within such a position, the subject remains a discursive construct, but a discursive construct that is not abstracted from the social conditions that originally called it into existence. It does so by recognizing the ways in which discourses that form the subject having their own particularized histories – histories that arise *through* material practice. In this way, a position of non-knowledge is epistemologically relative in recognizing that categorized identity has no essential existence of its own but is willing to make claims that refuse to erase the realities of living within a particularized body.

Economic Restructuring, Class Reconfiguration and the Canadian State

Sirvan Karimi

In the long run, the state can serve class hegemony by itself granting certain material demands of the popular masses—demands which, at the moment of their imposition, may assume a quite radical significance (free and universal public education, social security, unemployment benefits, etc.). Once the relationship of forces has changed, these popular gains can be progressively stripped of their initial content and character in a covert and mediate fashion.¹

The response to the economic turbulence of the 1970s has set in motion waves of economic restructuring that have profoundly recast social relations. Out of the accumulation crisis of the 1970s, capital emerged as a triumphant force which unleashed an offensive campaign on the global scale. Even though economic restructuring is a ubiquitous phenomenon which is not restricted to a specific geographic boundary, it is necessary to unravel its impacts on the underlying social relations within a given socio-economic setting. Within the Canadian context, it will be argued that the economic restructuring mastered by the state and solidified by continental treaties has phenomenally shifted the balance of power to integrated fractions of capital. An unprecedented shift of class power to the dominant classes has led to a decline in the relative autonomy of the Canadian state which has constrained the ability of the state to perform its legitimation function.² The Canadian state's response to mitigate the limitation on its capacity to carry out its legitimation function has culminated in patterns of restructuring within the hierarchic-bureaucratic edifice of the state, which have a potent potential to corrode the basis for the state to act as a factor of national cohesion.

State Autonomy

The concept of relative autonomy is a fundamental concept within Marxist structuralist approaches to the state. The strength of

¹ Nicos Poulantzas, *State, Power, Socialism* (London: Verso, 1978), p. 185.

² Within the context of this paper, the legitimation function or ideological operation is strictly construed as an attempt by the state to implement ameliorative social measures designed to assuage working class pressures and therefore defuse the threat on the bourgeois hegemony.

the structuralist paradigm is its ability to decipher and elucidate the crux behind the state's autonomy from the dominant classes. According to this paradigm, the state is neither an intrinsic entity with an absolute autonomy, nor an instrument that can be manipulated by one class or fraction. Rather, the state is the material condensation of class forces and therefore, the strategic terrain of class struggle.³ Since the state is the material crystallization of social forces, the power exercised by the state is class power. But the apparent separation of juridical-political structure from the economic sphere obfuscates the identification of the state power with class power. The capitalist state's relative autonomy in relation to both the economy and the fields of class struggle lies in its structurally determined role to maintain and reproduce capitalist social relations.

According to the Marxist structuralist perspective, the dominant classes are vulnerable to fragmentation due to their aggressive competition and their myopic pursuit of immediate interests. Furthermore, the exploited working class is an impending threat on bourgeois hegemony. Defusing the threat of the working class and maintaining the political domination of the dominant classes is a role that can only be carried out by the state, which acts as the guardian of the nation and a unifying element of national cohesion.⁴ To maintain the political disorganization of the working class, the state is structurally required to divert and channel the class struggle into non-class forms.⁵ The state can perform this complex role of securing the political domination of the power bloc, if it is relatively autonomous from the dominant classes and fractions.⁶ The degree of the relative autonomy of the state is determined by the "concrete relation between social forces in the field of the political class struggle; in particular... on the political struggle of the dominated classes."⁷ Under certain circumstances, such as pressures emanating from the working class, the state can embark on implementing social measures that might have a short term detrimental effect on the interests of the bourgeois classes.⁸ Thus, the relative autonomy of the state is not static or absolute; its magnitude is determined by the balance of class

forces and the intensity of social class struggle.⁹ More specifically, alteration in underlying social relations is bound to generate corresponding shift in the relative autonomy of the state. While the political unity of the working class necessitates the state to have a greater degree of autonomy from the dominant classes, working class fragmentation causes the relative autonomy of the state to diminish.

The Marxist structuralist paradigm is an appropriate theoretical framework to elucidate the alteration in the balance of forces and the ensuing patterns of restructuring within the structures of the Canadian state, which have led to the decline of relative autonomy since the 1970s. Prior to investigating the impacts of economic restructuring on the relative autonomy of the Canadian state, it is essential to explain how the Canadian state initially acquired a degree of autonomy.

The Trajectory of Relative Autonomy of the Canadian State

The Canadian state was not born autonomous from the ruling class. During the early decades of post-Confederation, the boundaries between the dominant commercial class in the east and the personnel at the summit of state apparatuses were blurred, because the members of the dominant class were also members of the political clique.¹⁰ It was only with the emergence of the working class that the state was compelled to become relatively autonomous from the dominant class.

In contrast to Europe, where bourgeois social relations erupted out of the ruins of the feudal order, Canada as a transplanted society was not the site of the historical transformation of feudalism into capitalism, because the former had not fully taken shape on Canadian soil.¹¹ The post-Confederation state, which had been structured as the direct instrument of the mercantilist-commercial class in the east, played a direct role in importing both the petite bourgeoisie and the proletariat, and therefore laid the grounds for the consolidation of modern capitalist social relations.¹² During the early decades after Confederation, the prevailing structures in wage labour relations were based on quasi-feudal patterns of custom and contract in the craft

³ Ibid, p. 128-129

⁴ Nicos Poulantzas, *Political Power and Social Classes* (London: Verso 1982), p. 284-289.

⁵ Peter Burnham, "The Politics of Economic Management in the 1990s." *New Political Economy*, 4:1 (1999), p. 41.

⁶ Poulantzas, 1982, p. 288-289.

⁷ Ibid, p. 289.

⁸ Poulantzas, 1978, p. 184.

⁹ Leo Panitch, "Rethinking the Role of the State," in James H. Mittleman (ed.), *Globalization: Critical Reflections* (Boulder, Co.: Lynn Rienner, 1996), p. 95.

¹⁰ Leo Panitch, "The Role and Nature of the Canadian State," in Leo Panitch (ed.), *The Canadian State* (Toronto: University of Toronto Press, 1977), p. 11-12; Reg Whitaker, *A Sovereign Idea* (Montreal: McGill-Queen's University Press, 1992), p. 19-20.

¹¹ Whitaker, p. 85.

¹² Stephen McBride & John Shields, *Dismantling a Nation: Canada and the New World Order* (Halifax: Fernwood Publishing, 1993), p. 7.

industry and the staples trade.¹³ Due to the absence or low level of the working class militancy in the early decades of the confederation, working people were treated as servants and were subject to spirit-degrading mechanisms of social control, which had been handed down from the Middle Ages: "Until 1877, masters and servants acts allowed the courts to send disobedient or absentee workers to jail at an employer's request."¹⁴

In a study done for the Rowell-Sirois Commission, J.A. Corry unequivocally pointed out that from the commencement of its political life until the early decades of the twentieth century, the Canadian state acted as a commercial entity resting on coercive apparatuses and was mainly involved in facilitating capital accumulation.¹⁵ During the early decades of Confederation, the Canadian state restricted its function to nurturing private capital accumulation and thus perpetuated the miserable plight of the subordinate classes, which was an indication of the naked dependency of the state on the ruling strata.¹⁶ The seeds for the emergence of working class militancy were sown by the 1879 National Policy, which was intended to protect the industrial heartland of central Canada and facilitate resource extraction in the west.¹⁷ Although the 1879 National Policy had been designed to establish an east-west axis of trade, it also opened the gate for American capital to move into Canada and engage in a close collaboration with the dominant classes in Canada.¹⁸ Promoted as an instrument of nation building, the 1879 National Policy precipitated the eruption of capitalist contradictions and by the early decades of the twentieth century Canada became the site of sporadic class confrontation: "Between 1900 and 1919 there were more than 2,000 labour conflicts and at least 35 serious incidents of violence. In 1919 alone there were 336 strikes and lockouts involving 150,000 workers."¹⁹

The epicentre of this class conflict was Winnipeg, where the General Strike of 1919 engendered a climate of consternation and trepidation for the ruling classes.²⁰ Under the pretext of deflecting an imminent menace within Canada, the ruling political order resorted to coercive measures to smash and quell the labour rebellion.²¹ In parallel to being confronted with the working class militancy, the state was also drawn into a direct confrontation with the petite bourgeoisie, whom had become resentful of their "quasi-colonial" position within the social relations of production.²² Managing the disperse social upheavals became a structural imperative for the state to operate relatively autonomous from the dominant classes. Growing social resentment in the 1920s was accompanied by the intensification of the economic convulsion in the 1930s, which tarnished the miracle of the invisible hand that had propelled capitalism to crisis. The socio-political shift which emerged out of the great depression of the 1930s began to threaten the hegemony of the dominant classes. To conciliate the working class and restore bourgeois hegemony, the Canadian state began to implement ameliorative social measures, which were often opposed by the dominant classes.²³

Like its counterparts in other capitalist societies, the Canadian state gradually began to embrace Keynesian demand management strategies which had been contrived to mitigate the intrinsic contradictions of capitalism and legitimize capital accumulation.²⁴ Even though as a politico-economic formula, Keynesianism was intended to emancipate capitalism from its own destruction, it was conducive to aggrandize the social power of labour, which, in turn, increased the relative autonomy of the state.²⁵ The institutionalization

¹³ Wallace Clement, *The Challenge of Class Analysis* (Ottawa: Carleton University Press, 1988), p. 174-176; Desmond Morton & Terry Copp, *Working People: An Illustrated History of the Canadian Labour Movement* (Ottawa: Deneau, 1984), p. 36-39.

¹⁴ Morton & Copp, p. 4.

¹⁵ McBride & Shields, p. 6-7.

¹⁶ Morton & Copp, p. 19-43.

¹⁷ Clement, p. 178-183; Whitaker, p. 23-27.

¹⁸ Wallace Clement, "The Canadian Bourgeoisie: Merely Comprador?" in Craig Heron (ed.), *Imperialism, Nationalism and Canada* (Toronto: New Hogtown Press), 1977, p. 71-83.

¹⁹ Dennis Forcese, *The Canadian Class Structure* (Toronto: McGraw-Hill Ryerson, 1997), p. 178.

²⁰ Whitaker, p. 30.

²¹ Morton & Copp, p. 118-124; Forcese, p. 179-181.

²² Whitaker, p. 29-32.

²³ Carl J. Cuneo, "State, Class, and Reserve Labour: The Case of the 1941 Canadian Unemployment Insurance Act." *Canadian Review of Sociology and Anthropology*, 16 (1979) p. 147-170; Philip Resnick, *The Masks of Proteus: Canadian Reflections on the State* (Montreal: McGill-Queen's University Press, 1990), p. 168-169.

²⁴ David R. Cameron, "The Growth of Government Spending: The Canadian Experience in Comparative Perspective" in Keith Banting (ed.), *State and Society: Canada in Comparative Perspective* (Toronto: University of Toronto Press, 1986), p. 21-69; McBride & Shields, p. 9-21.

²⁵ Edward Broadbent, "Social Democracy or Liberalism in the New Millennium," in Peter Russell (ed.), *The Future of Social Democracy* (Toronto: University of Toronto Press, 1999), p. 73-94; McBride & Shields, p. 9-28; David Langille,

of a decentralized collective bargaining system and the expansion of social programs, under the umbrella of a nation-building project, were to some extent bound to alter the balance of power in the labour market and enhance the bargaining leverage of the working class.²⁶ While the Keynesian paradigm succeeded in bringing about a temporary social truce for three consecutive decades, it was unable to surmount the imminent contradictions of capitalism. Full employment could not have been tolerated within the capitalist mode of production because as Marx pointed out, capitalism requires the persistence of unemployment "as a weapon to break the power of resistance of the regularly employed workers and to keep their wages down."²⁷ Keynesian demand management gradually began to generate structural constraints for a required degree of accumulation, as indicated by a fall in the rate of profit, which culminated in the crisis of accumulation in the 1970s.²⁸ The inability of the Keynesianism formula to conquer the simultaneous rise of unemployment and inflation (known as 'stagflation'), made it possible for monetarist and supply-side doctrines of neo-liberalism to launch a successful theoretical attack against the Keynesian paradigm.²⁹ In contrast to the economic crisis of the 1930s, during which the fear of revolution compelled the capitalist classes to make concessions to labour, the squeeze on the rate of profit in the 1970s put the dominant classes in a strategic position to demand the discipline of labour in exchange for investment.³⁰ The prevalence of unemployment emerging from the accumulation crisis of the 1970s became a structural condition to diminish the bargaining leverage of organized labour, which was eloquently expressed by Gerard Larose, a union leader in Quebec: "The major consequences of the economic crisis...with respect to our

organization, was that we could no longer fight for redistribution of wealth since there was no longer any wealth to be had."³¹

To surmount the accumulation crisis and restore the profitability of capital, the Canadian state launched systematic assaults on unions and the collective bargaining system.³² The eruption of the accumulation crisis in the 1970s and the response by the Canadian state to conquer the crisis through a gradual replacement of the Keynesian demand management with monetarism and supply-side economics provided the momentum for the balance of class power to tilt heavily towards the dominant classes.³³ As weapons of restructuring capital accumulation, these neo-liberal ideologies not only thwart further social reforms but also identify previously acquired social gains as impediments on the path of competitiveness.³⁴

The abandonment of the Keynesian demand management has constituted a shift from the politicization to the depoliticization of economic management.³⁵ As explained earlier, during the era of Keynesianism, the management of labour and capital necessitated the direct intervention by the state. Under the paradigm of demand management, the pursuit of anti-inflationary policies by the state was bound to exacerbate class conflict and therefore portray industrial confrontation as a crisis of political authority.³⁶ In other words, the state's recourse to anti-inflationary measures politicized the stabilization of the economy and therefore removed the mask which obscured the structural dependency of the state on capital accumulation. The supersession of demand management by monetarism has entailed the empowerment of autonomous and non-political bodies, such as the central bank, to impose financial discipline on labour and capital. The state has thus been able to depoliticize economic management and externalize the enforcement

"The Business Council on National Issues and the Canadian State." *Studies in Political Economy*, 24 (Autumn 1987), p. 41-46.

²⁶ Jim Stanford, *Paper Boom: Why Real Prosperity Requires a New Approach to the Canadian Economy* (Toronto: James Lorimer, 1999), p. 244-245; McBride & Shields, p. 15-16.

²⁷ Cited in Paul Le Balance, *From Marx to Gramsci: A Reader in Revolutionary Marxist Politics* (New Jersey: Humanities Press, 1996), p. 151.

²⁸ John W. Warnock, *Free Trade and the New Right Agenda* (Vancouver: New Star Books, 1988), p. 30-34; Stanford, p. 235-247.

²⁹ McBride & Shields, p. 17-39; Warnock, p. 30-35; Paul Phillips, "Labour in the New Canadian Political Economy," in Wallace Clement (ed.), *Understanding Canada: Building on the New Canadian Political Economy* (Montreal: McGill-Queen's University Press, 1997), p. 64-66.

³⁰ Langille, p. 45-47; Phillips, p. 66-67.

³¹ Cited in Gregory Albo, "The New Realism and Canadian Workers," in James Bickerton & Alain Gagnon (eds.), *Canadian Politics: An Introduction to the Discipline* (Peterborough, Ontario: Broadview, 1990), p. 490.

³² Leo Panitch and Donald Swartz, *The Assault on Trade Union Freedoms: From Wage Controls to Social Contract* (Toronto: Garamond Press, 1993), p. 21-43; Albo, p. 478-479; Phillips, p. 66-67.

³³ Phillips, p. 66-67; McBride & Shields, p. 47-60.

³⁴ Daniel Drache, "The Systemic Search for Flexibility: National Competitiveness and New Work Relations," in Daniel Drache and Meric Gertler (eds.), *The New Era of Global Competition* (Montreal: McGill-Queen's University Press, 1991), p. 249-267; McBride & Shields, p. 64-85.

³⁵ Burnham, p. 37-52.

³⁶ *Ibid.*, p. 45.

of disciplinary measures.³⁷ As James Caporaso and David Levine point out, treating the stabilization of the economy as a technical problem and shifting the responsibility for inflicting financial discipline on labour to an autonomous entity are strategies which are congruent with the intrinsic proclivity of monetarism to depoliticize the economy.³⁸

As an independent institution, the Bank of Canada is mandated to set the monetary agenda, which constitutes a latent attempt to insulate economic policy from the social demands of the subordinated strata.³⁹ Under the auspices of conquering inflation, which is promoted as the prime culprit of economic malaise, the Bank of Canada has resorted to a tight monetary policy (high interest rate) to control the supply of money and keep it in line with the expected long-term in the volume of transactions.⁴⁰ Monetarism has an intrinsic proclivity to shift the class power to the dominant classes and relegate labour to an insecure position within the social relations of production. Through tackling inflation, monetarism is intended not only to enhance capital profitability in the financial sector but also to generate a certain level of unemployment, which strengthens the bargaining clout of the capitalist classes.⁴¹ Monetarism might leave some latitude for public spending through raising taxes but when it is combined with supply-side economics, high rates of social spending are rendered impossible. Unlike monetarism, whose primary focus is to tackle the inflationary aspect of the economy, supply-side economics preaches tax reduction, deregulation of economic activities, labour market flexibility and the cultivation of a free market economy to stimulate investment and increase output.⁴² It is due to the penetration of the tenets of the supply-side economics into the economic agenda that the patterns of income redistribution have perversely been reversed since the Keynesian era. Under the pretext of competitiveness and economic growth, the burden of taxation has shifted from capital to consumption and thus rests heavily on middle income earners.⁴³ The juxtaposition of supply-side economics and monetarism has become a powerful bulwark to discourage redistributive social policy and galvanize privatization, labour market competition, upward

redistribution of income and free market economics as the prevailing precepts guiding economic policies.

The shift of class power to the ruling classes has been further intensified by the implementation of the Free Trade Agreement (FTA) with the United States in 1989, and its 1993 extension into Mexico under North American Free Trade Agreement (NAFTA). The FTA and NAFTA have functioned as "conditioning frameworks" to consolidate the emerging socio-political shift that was set in motion in the 1970s and mystify this unprecedented swing of the class power as a rational response to the exigencies of external forces.⁴⁴ The ascendancy of monetarism and supply-side economics as means to restructure capital accumulation has been accompanied by a seismic alteration in the balance of class forces.

Class Reconfiguration and Alteration in the Balance of Power

Prior to analyzing the disintegrative ramifications of economic restructuring on the working class and the shift of class power to the capitalist classes, it is essential to provide a succinct depiction of the trajectory of the fractions of capital in Canada. In parallel to the evolutionary path of economic development, the class configuration and the strength of the Canadian fractions of capital appear to have undergone a profound metamorphosis. If the volume of foreign direct investment is a criterion against which the level of economic dependency can be measured, it has become less plausible to invoke the dependency theory and portray Canada as a periphery of metropolitan capital as once argued by some analysts.⁴⁵ Since the 1970s and 1980s, Canadian capitalist classes have begun to extend their reign over the leading sectors of Canadian economy:

The level of foreign control of non financial Canadian corporate assets fell from 35.3 percent in 1968 to 23.8 percent in 1984, manufacturing

³⁷ Ibid, p. 45-47.

³⁸ James Caporaso and David Levine, *The Theories of Political Economy* (Cambridge: Cambridge University Press, 1992), p. 128-129.

³⁹ McBride & Shields, p. 64-85.

⁴⁰ Ibid, p. 47-53.

⁴¹ Stanford, p. 186-198.

⁴² McBride & Shields, p. 26-30.

⁴³ Phillips, p. 67; McBride & Shields, p. 52.

⁴⁴ Richard Grinspun & Robert Kreklewich, "Consolidating Neo-liberal Reform: Free Trade as a Conditioning Framework." *Studies in Political Economy*, 43 (Spring 1994), p. 33-61.

⁴⁵ Daniel Drache, "Staple-ization: A Theory of Canadian Capitalist Development," in Craig Heron (ed.), *Imperialism, Nationalism and Canada* (Toronto: New Hogtown Press, 1977), p. 15-26; Kari Levitt, *Silent Surrender: The Multinational Corporation in Canada* (Toronto: Macmillan, 1970), p. 24-27, 60-66.

declined from 58 to 44.1 percent, mining and smelting from 65 to 35 percent... petroleum products from 99 to 59 percent.⁴⁶

Even though Canada has continued to hold the leading position among the G7 countries in its reliance on foreign indebtedness, Canada's outward foreign direct investment has been escalating.⁴⁷ As a result of alteration in patterns of foreign investment, by 1996 Canada became a net outward investor.⁴⁸ This shift in the direction of foreign ownership is an indication of ongoing process of "decompradorization" within the circles of the Canadian bourgeoisie, which is manifest in a relative decline in the strength of the comprador class.⁴⁹ Furthermore, it has also become controversial to depict the relationship between the Canadian fractions of capital as antagonistic and to identify these fractions as merely subservient to foreign capital as argued by some analysts of Canadian political economy.⁵⁰ In their comparative study of Australia and Canada, William Carroll and Malcolm Alexander have unravelled an ongoing process of integration of the Canadian elements of capital under the hegemony of finance capital, which is an indication of the strength of the Canadian bourgeoisie and the formation of a strong ruling bloc on Canadian soil:

In Canada, the financial sector has a high level of internal integration and connectedness that, combined with dense interlocking between the financial sector and indigenous industrial corporations, makes it the strategic core of the network as predicted by the model of financial hegemony.⁵¹

⁴⁶ Joel Bell, "Canadian Industrial Policy in Changing World," in Thomas S. Axworthy & Pierre Elliot Trudeau (eds.), *Towards a Just Society* (Toronto: Viking, 1990), p. 139-140.

⁴⁷ Resnick, p. 176-199; Bernard M. Wolf, "Foreign Investment in the New Millennium: A View from the Canadian Side of the Border." *Canada Watch*, 8:4-5 (November-December 2000), p. 104-105.

⁴⁸ Stanford, p. 174-175; Wolf, p. 104-105.

⁴⁹ William Carroll, "Neoliberalism and the Recomposition of Finance Capital in Canada." *Capital and Class*, 38 (1989), p. 81-91; Jorge Niosi, "The Canadian Bourgeoisie: Towards a Synthetical Approach." *Canadian Journal of Political and Social Theory*, 7:3 (Fall 1983), p. 128-145.

⁵⁰ Mel Watkins, "The Political Economy of Growth" in Wallace Clement & Glen Williams (eds.), *The New Canadian Political Economy* (Montreal: McGill-Queen's University Press, 1989), p. 23-24; Drache, 1977, p. 15-26.

⁵¹ William Carroll & Malcolm Alexander, "Finance Capital and Capitalist Class integration in the 1990s: Networks of Interlocking Directorships in Canada and Australia." *Canadian Review of Sociology and Anthropology*, 36:3 (August 1999), p. 349.

Due to the changes in the pattern of foreign direct investment and the fusion of the fractions of capital under the leadership of finance capital, Canadian capitalist classes have emerged as mature players in both the national and international arenas.⁵² Obviously, dependency is a multi-dimensional phenomenon and Canada has continued to be predominantly a resource exporter with a weaker position in high technology and manufacturing fields.⁵³ But the silent coup of decompradorization within the circles of the Canadian bourgeoisie, the integration of the fractions of capital and the ability of the hegemonic fraction to engage in outward foreign investment signify a mounting strength of the Canadian bourgeoisie, enabling it to extend its scope of capital accumulation beyond national frontiers. On the other hand, a century of interaction in the areas of investment, production and trade has solidified an axis of interdependence and a confluence of interests between the fractions of capital in Canada with their foreign counterparts, particularly the American fractions. The Canadian bourgeoisie should therefore be conceptualized not as merely dependent but as an "internal bourgeoisie whose scale of accumulation is both national and international in alliance with the imperialist capital."⁵⁴

Since the Canadian bourgeoisie has been able to extend its scale of reproduction to the international level, it is plausible to suggest that the interests of the Canadian capitalist classes coincide with those of foreign capital. Therefore, the push for continental economic integration cannot be mainly attributed to the external forces. As Leo Panitch has suggested, the FTA and NAFTA were not imposed on the Canadian state by outside forces but rather were reflections of the Canadian state's receptiveness to the national bourgeoisie, whose interests have already converged with that of the imperialist capital.⁵⁵ The FTA and NAFTA were launched by the Canadian state to extend the spatial manoeuvrability of the Canadian capitalist classes and consolidate a decisive shift of class power to capital.

In contrast to the trajectory of Canadian bourgeoisie, which has evolved towards greater integration and cohesiveness, the working class has encountered centrifugal forces that are threatening to reconstitute atomize collective labour. The ongoing pattern of

⁵² Resnick, 1990, p. 179-191.

⁵³ Resnick 1990, p. 197-203; Mel Watkins, "Canadian Capitalism in Transition," in Wallace Clement (ed.), *Understanding Canada Building on the New Political Economy* (Montreal: McGill-Queen's University Press, 1997), p. 27-35.

⁵⁴ Gregory Albo, "Capitalism, Crisis and Finance: A Forum on Paper Boom by Jim Stanford." *Studies in Political Economy*, 62 (Summer 2000), p. 125.

⁵⁵ Panitch, 1996, p. 97.

economic restructuring has complicated the task of the Canadian labour movement which has historically suffered from fragmentation and disunity.⁵⁶ The waves of economic restructuring have adversely affected the capacity of this already fragmented labour movement to confront capital. In response to capital's aggressive campaign to enervate the working class, the labour movement has taken a defensive posture which reflects the emergence of an unprecedented asymmetry in power between the capitalist classes and the working class.⁵⁷ Capital mobility has become a powerful weapon in the arsenal of the bourgeoisie to threaten and elicit concessions from labour. By threatening to relocate the site of production, capital has been able to reduce labour resistance and diminish the bargaining leverage of labour. Bruce Campbell has elucidated the debilitating ramifications of capital mobility for the Canadian labour movement:

Capital has the upper hand, since it can move more easily...or threaten to move if labour does not make wage and other concessions. It also increases the pressure to lower costs through production and work reorganization, leading to the increase in use of part-time, temporary and contract workers...to non-union firms in low-wage jurisdictions.⁵⁸

Under the umbrella of competitiveness, flexibility has permeated the terrain of industrial relations as a ubiquitous precept which is intended to coerce workers to adapt to the logic of competitiveness.⁵⁹ As the dominant paradigm of capital accumulation, flexibility through outsourcing and subcontracting has served to thwart unionization and workplace solidarity. As Donald Wells has observed, decentralization of production and outsourcing are bound to "reinforce workplace consciousness to the detriment of solidarity based on broader union, industrial and class identities."⁶⁰

⁵⁶ The historical roots of working class fragmentation in Canada can be traced to unequal regional development, the perennial national tension between Canada and Quebec and divided loyalty of organized labour into national and international unions (Clement, 1988, p. 178-185; Forcese, p. 180-187).

⁵⁷ Donald M. Wells, "When Push Comes to Shove: Competitiveness, Job Insecurity and Labour Management Cooperation in Canada." *Economic and Industrial Democracy*, 18 (August 1997), p. 167-193.

⁵⁸ Bruce Campbell, *False Promise: Canada in the Free Trade Era* (Canadian Centre for Policy Alternatives, EPI Briefing Paper, April 2001), p. 7.

⁵⁹ Albo 1990, p. 491-492; Drache 1991, p. 257-259; Daniel Drache & Harry Glasbeek, *The Changing Workplace: Reshaping Canada's Industrial Relations System* (Toronto: James Lorimer, 1992), p. 198-223.

⁶⁰ Wells, 1997, p. 190.

Due to continental dispersion of the units of production and the shift to flexible production, trade unions are coerced to adapt to the language of competitiveness. An alarming increase in the bargaining power of capital can be discerned from the defensive position taken by the Canadian Auto Workers (CAW), which is the largest and the most powerful unit of the organized working class in Canada. The CAW, which has been the source of inspiration for other unions because of its militancy and intransigent stance at the bargaining table, has been forced to adjust to the exigencies of competitiveness:

The CAW's more cooperative orientation developed further during the early 1990s when it negotiated changes in areas such as training, technological changes, the organization of work teams, flexibility work scheduling and product quality.⁶¹

Plant closures, decentralization of production, reorganization of production, decline in manufacturing employment and the proliferation of polarized jobs in service industries, which are part and parcel of economic restructuring, have drastically diminished the capacity of the labour movement.⁶² The shift of employment from manufacturing to service industries, which have been marked by occupational differentiation along polarized earnings, has in turn engendered a formidable task for the labour movement to maintain working class unity.⁶³ Overall, the trajectory of economic restructuring has perniciously affected working class cohesion, the mechanism of collective bargaining and to some extent union density, which are some of the sources of labour power.⁶⁴

⁶¹ Ibid, p. 173.

⁶² John Myles, et al., "Does Post-Industrial Matter? The Canadian Experience," in Gosta-Esping Anderson (ed.), *Changing Classes: Stratification and Mobility in Post-Industrial Societies* (London: Sage, 1993), p. 171-192; Ian Robinson, "NAFTA, Social Unionism, and Labour Movement Power in Canada and the United States." *Relations Industrielles/Industrial Relations*, 49:4 (1994), p. 657-669; Campbell, p. 1-8.

⁶³ John Myles, "Post Industrialism and the Service Economy," in Daniel Drache & Meric Gertler (eds.), *The New Era of Global Competition* (Montreal: McGill-Queen's University Press, 1991), p. 351-364; Myles et al., p. 171-192; Wallace Clement & John Myles, *Relations of Ruling: Class and Gender in Postindustrial Societies* (Montreal: McGill-Queen's University Press, 1994), p. 23-30.

⁶⁴ Robinson, p. 657-669; Andrew Jackson, "Impacts of the Canadian-U.S. Free Trade Agreement (CUFTA) and the North American Free Trade Agreement (NAFTA) on Canadian Labour Markets," in Bruce Campbell et al. (eds.), *Pulling Apart: The Deterioration of Employment and Income in North America Under Free Trade* (Toronto: Canadian Centre for Policy Alternatives, 1999), p. 85-120; Campbell, p. 1-8. Despite the pernicious impacts of economic restructuring on organized labour, the decline in union density has not been drastic. The overall

As a result of economic restructuring engineered by the Canadian state, the working class has encountered the forces of atomization and the dominant classes have been catapulted to a commanding plateau. With this emerging socio-economic shift, the capitalist classes have been armed with powerful weapons to discipline and elicit concessions from labour.⁶⁵ The shift of class power to the bourgeois classes has also culminated in a relative diminution in the relative autonomy of the Canadian state.

The Decline in the Relative Autonomy of the State

A decline in the relative autonomy of the state should not be construed as a diminution in the role of the state in managing the process of capital accumulation. Despite intensified economic restructuring within the national, continental and global spaces, the state has remained central to the process of capital accumulation at both national and international levels.⁶⁶ The ambiguous slogan of the "powerless state" that has permeated the terrain of political discourse seems to be controversial.⁶⁷ An unprecedented increase in back-to-work legislation, which falls within the parameters of the coercive function of the state, testifies to the undiminished capacity of the Canadian state to impose order on the working class:

Between 1950 and 1965 there were only six instances of back-to-work legislation throughout Canada; in the period from 1980 to 1987, forty-three such measures were used by governments to undermine labour's bargaining rights.⁶⁸

An increase in the scale of state repression through legislative interventions against union rights can also be discerned from the growing number of complaints submitted to the International Labour Organizations (ILO) by Canadian unions in recent decades. As Leo Panitch and Donald Swartz have pointed out, from 1954 to 1973, only four complaints were registered against the Canadian state whereas during 1974-91, twenty-seven complaints were submitted to

the ILO by unions against the Canadian state.⁶⁹ Based on the proportion of complaints received by the ILO during 1974-91, the Canadian state appeared to be the most intrusive state among the leading capitalist countries.⁷⁰ Thus, the Canadian state has continued to be powerful in performing its accumulation and coercion functions, which contradicts the ambiguous slogan of powerless state. On the other hand, the Canadian state has engineered an incremental emaciation of the social programs, thus representing a decline in its legitimation function.⁷¹ Bruce Campbell has provided a depiction of the systematic endeavours by the Canadian state to curtail social programs:

The massive federal spending cuts began in 1995 and over four years cut spending from 16% to 11% of GDP, the lowest level since 1930s. Program spending at all levels of government fell from 45% to less than 35% of GDP during 1992-99, an unprecedented structural shift in the public-private sector balance.⁷²

The gradual retreat of the Canadian state from maintaining social programs while it simultaneously carries out its accumulation and coercion functions indicates that the role of the state has been restructured. A restructured state is not equivalent to a powerless state, in spite of the federal Department of Finance's claim that "we [Canada] have suffered a tangible loss of economic sovereignty."⁷³ A state which can overtly encroach on the basic rights of labour while it secures capital accumulation at both national and international levels cannot be portrayed as a powerless entity. Rather, the Canadian state's obligation to venerate the rules and norms of the continental treaties and allow for the upward diffusion of political power is a self-imposed phenomenon which is required by the rhythms of capital accumulation. Even though the self-inflicted duty of adhering to the constitutions of the continental pacts is intended to rationalize the imposition of austerity measures on the working class, it also tarnishes the democratic rhetoric of the state. The subjugation of national democratic procedures to the decision-making processes by

unionization rate diminished from "32 percent of the paid workforce in 1987 to 30.7 percent in 1998." Campbell, p. 5.

⁶⁵ Jackson, p.104; McBride & Shields, p. 61-63; Phillips, p. 67.

⁶⁶ Panitch, 1996, p. 83-112.

⁶⁷ According to Manuel Castells, the national state has become powerless because globalization has exerted enormous pressures on national political power, which has been transferred in both upward (towards supranational organizations) and downward (towards local and regional political entities) directions (Manuel Castells, *The Power of Identity* (Oxford: Blackwell, 1997), p. 242-307).

⁶⁸ Drache, 1991, p. 255.

⁶⁹ Panitch & Swartz, p. 49-50.

⁷⁰ *Ibid*, p. 50.

⁷¹ McBride & Shields, p. 66-85; Keith Banting, "The Social Policy Divide: The Welfare State in Canada and the United States," in Keith Banting et al. (eds.), *Degrees of Freedom: Canada and the United States in a Changing World* (Montreal: McGill-Queen's University Press, 1997), p. 267-309.

⁷² Campbell, p. 7.

⁷³ Cited in Keith Banting, "Social Policy," in Bruce Doern et al. (eds.), *Border Crossing: The Internationalization of Canadian Public Policy* (Toronto: Oxford University Press, 1996), p. 35.

non-elected "technical committees" is bound to intensify the crisis of democratic representation.⁷⁴

The constraints which have been placed on the capacity of the state, such as those raised by the federal Department of Finance, indicate the limited ability of the Canadian state to resort to ameliorative measures that would surmount the social predicament and economic distress, which are bred by the ruthless pursuit of capital accumulation. Essentially, the inability of the Canadian state to maintain social programs indicates that restrictions on the capacity of the state to perform its legitimation function have emerged. This development is a conspicuous indication of the decline in the relative autonomy of the state from the dominant classes. As mentioned earlier, the relative autonomy of the state is not a static phenomenon. The fragmentation of an already fragmented working class and an unprecedented shift of class power to an integrated bourgeoisie have culminated in a decline in the relative autonomy of the Canadian state from the dominant classes. The cohesiveness of the fractions of capital and their reluctance to envisage the legitimation function of the state as an imperative social measure can be comprehended from the Canadian corporate executives' desire to return to the liberal era of the nineteenth century:

Historically, Canadian business accepted a larger role for the state in economic development but recent years have seen an apparent convergence with business orientation south of the border. A recent survey of four hundred Canadian corporate executives, for example, concluded that ... corporate Canada embraces the radical free market view.⁷⁵

The emerging tendency within the ranks of the Canadian capitalist classes to allow the social agenda to be determined by market forces implies that they have begun to perceive that the threat of the working class to their hegemony has been neutralized. The segmentation of the working class and the advantageous strategic position occupied by the dominant classes have engendered a political atmosphere within which social programs are not viewed by the dominant classes as politically imperative. It is due to this shift of class power that the structural dependence of the Canadian state on the Canadian bourgeoisie has been exposed. The diminution in the

⁷⁴ Grinspun & Kreklewich, p. 44-45.

⁷⁵ Robert Howse & Marsha Chandler, "Industrial Policy in Canada and the United States," in Keith Banting et al. (eds.), *Degrees of Freedom: Canada and the United States in a Changing World* (Montreal: McGill-Queen's University Press, 1997), p. 264.

relative autonomy of the state from the dominant classes has culminated in patterns of restructuring within the structures of the Canadian state.

State Restructuring

The alterations of social relations, the decline in the relative autonomy of the state and the limitation on the legitimation function of the state have correspondingly been reflected within the structures of the state. It is crucial to elucidate the process of restructuring within the Canadian state, which has ambiguously been interpreted by some analysts as a shift of power to some departments and away from others. Following Robert Cox's thesis on the impacts of globalization on the structures of the state, Bruce Doern, Brian Tomlin, and Keith Banting have argued that within the bureaucratic apparatuses of the Canadian state, power has receded from social departments and has correspondingly been transferred to the Departments of Finance and External Affairs and International Trade.⁷⁶ According to these analysts, state restructuring has been accompanied by a drastic decline in the power of the ministers who ran the social departments. This characterization of the state restructuring which creates the illusory impression that the ministers of social departments are representatives of the subordinated strata requires clarification.

To be sure, the state is not a monolithic entity. It is composed of branches and apparatuses which are often in conflict with one another. But nor is the state an ensemble of detachable parts. As argued by Poulantzas's concept of 'unity-centralization,' the division of labour is reproduced within the structures of the capitalist state.⁷⁷ Despite the conflictual and contradictory nature of relations between state apparatuses and branches, the overall policy of the state is bound to tilt towards the interests of the hegemonic class, because of this unity which is written into the state.⁷⁸ The shift of power to the Ministers of Finance and External Affairs and International Trade and away from social departments is a manifestation of the departmental adjustment to the music of the restructured mode of capital accumulation to which social policies are subordinated.

The subordination of social policies to the imperatives of capital accumulation does not imply a diminution in the power of the

⁷⁶ Bruce Doern, & Brian Tomlin, "Trade-Industrial Policy," in Bruce Doern et al. (eds.), *Border Crossing: The Internationalization of Canadian Public Policy* (Toronto: Oxford University Press, 1996), p. 167-207; Banting 1996, p. 27-53.

⁷⁷ Poulantzas, 1978, p. 136.

⁷⁸ *Ibid.*, p. 136.

ministers of social departments. State restructuring is a manifestation of the restructuring of the regime of capital accumulation, which itself reflects the shift of class power to the capitalist classes and the ensuing subjugation of social policies to the imperatives of flexible accumulation. The incorporation of welfare programs into the labour component of the old Department of Employment and Immigration in 1993, which led to the establishment of one super-ministry, the Department of Human Resources Development, is an indication of the subordination of social policies to the exigencies of competitiveness.⁷⁹

Ostensibly, the integration of social programs with labour market programs is promoted as an essential prelude to reduce rigidities in the labour market and enhance the employability of unemployed individuals. But this integration or adjustment is intended to intensify labour market competition, demanded by the market forces. Systematic cuts to the Unemployment Insurance Program and the attachment of stringent stipulations for qualifying UI benefits takes place under the auspices of transferring savings from the reduction of UI benefits to active programs such as training.⁸⁰ On the contrary, the reorganization of the Unemployment Insurance Program is conducive to enlarge the size of the reserve army of labour, which in turn, is bound to exert enormous pressures on the wages of the employed workforce. As a result of these cuts and new criteria for eligibility, the proportion of those collecting UI benefits dropped drastically from "75% in 1990 to 36% in 2000."⁸¹ What is evident from the restructuring of social programs is that the ministers of social departments have not lost their power. Rather, it is the fragmented working class that has been coerced to adjust itself to the music of competitiveness. The horizontal restructuring of social programs in accordance with the tenets of flexible accumulation at the national level has also been accompanied by a vertical restructuring of the responsibilities to carry out the task of legitimation. Vertical restructuring of the legitimation function of the state has manifested itself through the national state's cuts to its transfers and the offloading of the burden of maintaining social programs onto the shoulders of the sub-national governments:

In 1995 the federal government sharply reduced its transfers to provincial governments for social programs, and it rolled the Canadian

Assistance Plan into a broader block fund, which gives provinces more discretion in reforming welfare.⁸²

Vertical re-delineation of responsibility for maintaining social programs appears to be an efficient strategy to mitigate the crisis of legitimation that has confronted the Canadian state. The sub-national states, which are supposed to retain social programs, have traditionally eschewed devoting their resources to the task of legitimation.⁸³ Furthermore, the sub-national governments have also been subject to the gravitational force of competitiveness that has become a sacrosanct law of the land.⁸⁴ Slashing social programs by the national state has indeed been accompanied by further cuts at the provincial level.⁸⁵ The offloading of responsibility for sustaining social programs to provincial governments is bound to intensify regional imbalances and disparities that the Canadian state has traditionally endeavoured to surmount.⁸⁶ The transfer of greater legislative authority to the sub-national governments to determine the levels of social services is not only destined to reinforce regional disequilibrium but also threatens national standards. As Roger Gibbins has pointed out, "decentralization without weaker national standards makes little sense."⁸⁷ Since universal social programs have entrenched themselves as sources of national identity, the dismantling of these programs undermines the basis for national unity which has been the *raison d'être* of the Canadian state.⁸⁸ The horizontal and

⁷⁹ Banting, 1996, p. 40-41.

⁸⁰ Banting, 1996, p. 49; Howse & Chandler, p. 250-257.

⁸¹ Campbell, p. 8.

⁸² Banting, 1997, p. 298.

⁸³ Garth Stevenson, "Federalism and the Political Economy of the Canadian State." in Leo Panitch (ed.), *The Canadian State* (Toronto: University of Toronto Press), 1977, p. 71-97.

⁸⁴ Grinspun & Kreklewich, p. 37.

⁸⁵ Banting, 1997, p. 298-299.

⁸⁶ McBride & Shields, p. 37-40; Howse & Chandler, p. 257. Micro-regionalization or regional solidarity, which is another dimension of economic and state restructuring, has not been discussed in this paper. Economic restructuring and the diminution in the capacity of the Canadian state to pursue collectivist policies have a potent potential to galvanize the economic, political and psychological appeals for Quebec secession (Charles Taylor, *Reconciling the Solitudes* (Montreal: McGill-Queen's University Press, 1993), p. 143-145; Alain G. Gagnon, "Quebec and the Political Economy of Continental Integration," in Leslie A. Pal & Raint-Olafschultze (eds.), *The Nation-State versus Continental Integration: Canada in North America, Germany in Europe* (Bochum: Universitätsverlag Dr. N. Brockmeyer, 1991), p. 165-182; Roger Gibbins, "Decentralization and the Dilemma of National Standards," in Mark Charlton & Paul Barker (eds.), *Crosscurrents: Contemporary Political Issues* (Toronto: ITP Nelson, 1998), p. 145).

⁸⁷ Gibbins, p. 141.

⁸⁸ Taylor, p. 158-160.

vertical restructuring of social programs might indeed culminate in the corrosion of the basis for the Canadian state to act as a factor of national unity.

Conclusion

As has been demonstrated throughout this paper, economic restructuring triggered by the accumulation crisis of the 1970s has recast the political landscape within which the strategic positions of capital and labour are structured. Global and continental dispersion of units of production, capital mobility, labour market flexibility and the apotheosis of competitiveness have adversely affected the power of the Canadian labour movement, which has historically been haunted with segmentation and disunity. The supersession of Keynesian demand management with supply-side economics and monetary doctrines of neo-liberalism as a means of restructuring capital accumulation has profoundly enervated the bargaining power of organized labour. Economic restructuring mastered by the Canadian state and intensified by the continental treaties has phenomenally shifted the balance of power to the fractions of capital which have evolved into a strong ruling bloc on Canadian soil. The decisive shift of class power to the dominant classes has culminated in a decline in the relative autonomy of the state, which has manifest itself in the increase in the scale of state repression against organized labour and the restriction on the capacity of the state to perform its legitimation function at a time when socio-economic distress is escalating. The decline in the relative autonomy of the state that has restricted the ability of the state to maintain collective social services has in turn generated patterns of restructuring within the hierarchic-bureaucratic apparatuses of the state. In parallel to subjugating social policies to the imperatives of flexible accumulation and redesigning social security in accordance with the rhythms of competitiveness at the national level, the national state has offloaded the responsibility for sustaining universal programs to the sub-national governments. The massive decentralization of political power is bound to culminate in further diversification of national programs, which were the previous sources of national identity. Vertical restructuring of political responsibility for the legitimation function, which has traditionally been carried out by the national state, has the potential to destabilize the basis for the Canadian state to operate as a unifying element.

The prevailing socio-political shift within which capital has acquired an upper hand in social struggle should not be equated with the eternal triumph of the bourgeoisie and the eclipse of class struggle from the terrain of history. The reckless march of capital has indeed

been accompanied by the intensification of the immanent contradictions of capitalist social relations that has unveiled the structural dependence of the state on the ruling classes. The exacerbation of the perennial contradictions of capitalism has complicated the operation of the state as the mightiest instrument of the bourgeoisie. Under the prevailing structural imperatives, the state is compelled to extend its scope of repression and has simultaneously encountered constraints on its ability to implement measures to tackle the socio-economic inequalities which a ruthless pursuit of accumulation is bound to generate. On the other hand, the unambiguous eclipse of national democratic procedures by the constitutions of the continental treaties serves to intensify the inveterate antagonism between the democratic rhetoric and liberal economic dimensions of the state, creating the potential to shift social struggle along the axis of capitalism and democracy.

The emancipation of labour lies in a full scale democratization of economic sphere which depends on the intellectual capacity of democratic social forces to transform democracy into a destructive weapon against capitalism. Finally, even though the national arena has remained the primary site for launching social struggle, the global and continental integration of the dominant classes has made it imperative for democratic social forces to engage in collaboration with their counterparts at the continental and international levels.