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## Introduction

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The articles published in this issue are a selection — in a considerably shortened form — of the papers presented to a workshop held at Queen's University, Kingston, in May 1984, on the theme of 'Development in the 1980s: Canada in the Western Hemisphere'. The workshop was organised by the Queen's Programme of Studies in National and International Development, and it aimed to explore the implications of the current restructuring of the world economy for development in the Americas.\*

In development studies it is widely agreed that analysis should proceed simultaneously at the international and the national (or regional) levels, but practice rarely lives up to principle. In this instance, a determined effort was made by starting out from the analysis of the global crisis by Lipietz, and going on to focus on three aspects of the response to the crisis: 1) 'de-industrialisation' in the USA and Canada, and its social and political consequences (represented here by articles by Niosi, Faucher and Gagnon and Montcalm); 2) the impact of the crisis on US policy in Central America and the Caribbean (the article by Petras and Morley); and 3) the consequences and implications for socialist movements in that region (articles by Thomas, Adkin and Hyett and Fairley and Ramnarine).

A further aim was to try to examine development in Canada and the less developed regions of the hemisphere through the same lens. Canada is widely (and not unreasonably) referred to as an 'affluent dependency', and there is a substantial theoretical and empirical literature on it.<sup>1</sup> The workshop sought to extend this perspective by including explicit comparisons of Canadian and Caribbean experience; an

aim exemplified by the contribution of Fairley and Ramnarine.

The world economy is clearly in the midst of a period of major restructuring which is having profound effects on both developed and developing countries in every region of the world. The manufacturing sectors in virtually all of the OECD countries display the same symptoms: a drastic slowdown in productivity growth, declining industrial employment, stagnating industrial output and sharply rising unit labour costs. During the last ten years falling realised profit rates, coupled with intensified international competition, have forced many industrial sectors and individual firms to undertake large-scale restructuring and reorganisation of production. At the same time the state in the advanced economies has come under intense pressure to reduce the levels of public sector borrowing and expenditure, and the NICs, which were experiencing rapid economic growth, are faced with debt crises and heightening internal political tensions.

The scale and nature of this restructuring of the world economy is qualitatively different from the processes of restructuring associated with normal business cycles. A growing number of writers suggest that the world economy is going through the third 'long swing' crisis of the past hundred years and that the restructuring that is currently underway is an attempt to find a 'solution' to this crisis which, if found, will mark the emergence of a new and qualitatively different phase in the history of capitalist development. Although these writers differ in the detail of their analyses they agree on:

— the approximate timing of the onset of the crisis—the late 1960s;

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<sup>1</sup> For references to the most recent developments in this literature see various issues of the journal *Studies in Political Economy*, especially no 6 (Autumn 1981), special issue on 'Rethinking Canadian Political Economy'.

— the need to situate the crisis in the broader historical context of the development and subsequent exhaustion of the long post-war economic boom;

— the fact that this period of restructuring represents a major rupture within the history of capitalist development.

In seeking to provide an overall framework for the themes to be explored in the workshop we chose to focus on the writing of the French regulation school. We found their interpretation of the post-war period in terms of the development and subsequent crisis of the 'intensive regime of accumulation', more commonly known as Fordism, attractive for a number of reasons. First, their key analytical concepts of 'regime of accumulation' and 'mode of regulation' stress the crucial links between production and consumption, and draw attention to the fact that, during periods of major rupture such as this, restructuring is not limited to the transformation of the organisation of production but also encompasses the transformation of consumption norms and a whole range of economic, social and political institutional forms. Secondly, their account includes the linkages between different aspects of the crisis which are manifested at both the international and national scale, and which are often dealt with separately elsewhere in the literature. For example, the analysis presented in Alain Lipietz's article ties together the economic restructuring effects of the crisis which are being experienced in the advanced industrial economies of North America and Western Europe, the economic development and the subsequent debt crises and internal political conflicts which have characterised the recent history of the NICs, and the political and military consequences of the erosion of US economic and political hegemony.

Lipietz argues that the long post-war boom in North America and Western Europe was due to a combination of the progressive extension and generalisation of 'Fordist' techniques of production to many sectors of consumption goods production, with the continued expansion of mass consumption and a sharp rise in standards of living. He emphasises two points: first the crucial significance of rising rates of productivity and the link between the latter and the growth in real wages; secondly, the fact that Fordism was to a very large extent developed as a regime of accumulation whose mode of regulation was *internal* to the national economies of the advanced capitalist societies, and that analogous regulatory mechanisms and institutions did not develop to regulate the interaction between these national economies at the international level. The onset of the crisis in the late 1960s resulted from the breakdown of this system of regulation. Two factors in particular are crucial to

understanding the crisis that developed within Fordism; the slowdown in productivity growth and the intensification of international competition.

Lipietz suggests that the slowdown in productivity growth resulted from the failure of Fordist principles of labour organisation as workers resisted the further intensification of production. Other writers have ascribed the slowdown in productivity growth to other causes. However, irrespective of what led to this slowdown, there is no disputing the fact that in North America it was dramatic and that it resulted in a rapid escalation in unit labour costs and a crisis of profitability. The intensification of international competition resulted in large measure from the very success of Fordism within the advanced industrial economies. Throughout the 1950s and early 1960s the rapid growth in domestic output in the consumption goods sectors was generally absorbed by growing internal domestic markets. However, this tendency toward ever expanded production, which in turn required ever larger and wider markets, spilled over national boundaries, and competition among the OECD economies for each others' markets intensified. The existence of surplus capacity on a world scale, and of substantial variations in unit costs of production between different national producers, also reduced the profitability of production in countries such as the USA and Canada which had the higher unit costs of production.

The slowdown in productivity growth and the intensification of international competition in the 1970s (both manifested in declining profitability) forced the wholesale restructuring of large segments of the OECD economies and led ultimately to the monetarist deflation which brought on the global recession.

Restructuring and industrial change is clearly a two-sided (though not necessarily a zero sum) process in that it brings into being new plants, production methods and jobs while displacing older ones. During the current period of restructuring many industrial sectors and regions of North America have experienced the displacement effects of restructuring — disinvestment and rationalisation, plant closings, high rates of job loss and unemployment and the consequent economic and social dislocation of communities. 'De-industrialisation' is now part of the standard lexicon of contemporary economic discourse on both sides of the Atlantic and is often used as a kind of shorthand label to describe and 'explain' simultaneously the phenomena described above. The articles by Jorge Niosi and Philippe Faucher provide data to document the form taken by de-industrialisation in the US and Canada respectively.

We felt that it was particularly important to include these articles since, with the much-heralded recent recovery in the US economy (a recovery that increasingly looks as though it will be short lived), it is easy to lose sight of the changes which occurred in the North American economy during the 1970s; changes which have contributed significantly to the decline in US hegemony.

Both authors note that whilst manufacturing in North America has declined in relative economic importance since the late 1960s, there has not been the massive *absolute* loss of manufacturing employment which has been the most worrying and specific feature of de-industrialisation in the UK. In fact, it is worth mentioning that during the 1970s jobs were created in the US at twice the rate of the previous three decades. However, there has been a shift from more highly paid full-time male employment in manufacturing to lower paid part-time female and youth employment in the service sector, and there is mounting evidence in North America that a polarisation into a bimodal distribution of household income is emerging — the so-called ‘missing middle’ phenomenon. Niosi also documents the decline of the commercial and financial sectors of the US economy relative to the world economy as a whole and Faucher highlights the weakness of the Canadian industrial sector.<sup>2</sup>

Both authors also discuss current and possible future industrial policy responses to industrial decline in North America. This highlights the issues raised by Lipietz in his discussion of possible escape routes from the crisis. Although there is evidence to suggest that fairly large gains in labour productivity are possible through the implementation of new microelectronic-based process technologies, simply transforming the techniques of production does not constitute the formation of a new mode of regulation. The question of how to match consumption with the increase in output that greater labour productivity will bring remains to be solved. This point is underscored by the contradictions that are implicit in the idea of ‘re-industrialisation’ which is currently so popular in the US and which is advocated in various forms by analysts of many different political stripes. Re-industrialisation appears to offer something for everyone by implying that a sharp upturn in employment and output is possible if only the right ‘industrial policy mix’ can be found. The proponents

<sup>2</sup> In comparison with other OECD countries, Canada has a strikingly different economic structure which is reflected in employment, output and trade figures and which is a result of the ‘peculiar’ position of Canada within current and past international divisions of labour. Today, Canada supplies raw materials and semi-finished products to other industrialised OECD economies, produces consumption goods for a limited (in absolute size rather than individual consumption norms) but affluent domestic market, and imports both consumption goods and extremely large volumes of capital goods.

of re-industrialisation strategies all emphasise the need to increase labour productivity but, as Block has noted, ‘. . . as long as employers continue to have strong incentives to produce goods more cheaply, it seems highly unlikely that any programme of “re-industrialisation” will increase manufacturing person hours. The choice of particular policies — protection of older industries vs support for high technology firms — is likely to influence only the rate at which manufacturing employment declines’ [Block 1984:69]. As Lipietz suggests, one possibility is that any new mode of regulation that emerges must include a new ‘functional form’ — other than the wage as we now know it — for apportioning the social product, or a dramatic decrease in individual work time with no loss of real wages. Of course, there are also other scenarios (only hinted at by Lipietz) which are extremely grim.

At present, however, such long-term implications of the crisis for North America are apt to be obscured by its immediate effects on longstanding social and political issues. In Canada this means, above all, the chronically vexed issue of regionalism, and notably that of Quebec. The article by Alain Gagnon and Mary Beth Montcalm examines the contemporary realignment of class and political relations within Quebec in the context of the economic restructuring of both the North American and world economies. They note that the relative decline of the Quebec economy, which is still based heavily on primary resource industries and older industrial sectors such as textiles, and the increasing economic peripheralisation of Quebec within both the Canadian and North American economies, are not of recent origin. However, the effects of this decline were masked in the 1960s and 1970s by the rapid expansion of the state sector which saw the rise of a new middle class. The latter was an important element in the political alliance which first returned the nationalist Parti québécois (PQ) to power. However, in the face of the deepening economic crisis, the PQ government has been forced to reduce government borrowing and spending and this has led to a widening gap between the interests of the new middle class and those of the PQ. Gagnon and Montcalm go on to explore other elements in the major realignment of the Quebec power structure which is occurring in the context of shifting class alliances which, in turn, are a response to the global crisis and Quebec’s peripheral position within the world economy.

For the rest of the Americas, and the countries of the Caribbean, the most important immediate effect of the crisis has, of course, been the ‘seismic shift’ in the political balance in Washington and Ottawa. Economic contraction, manifested in declining regions, and (for significant segments of the population) in stagnant or declining real incomes, has

undermined the broad political consensus that formerly sustained the parties primarily identified with the post-war 'settlement' — the Democrats in the USA and the Liberals in Canada. The Republicans finally displaced the Democrats in the watershed election of 1980; the Conservatives finally displaced the Liberals in the equally decisive Canadian election of 1984. In the US case, economic weakness was mirrored in loss of international power. Failure in Vietnam and the humiliation of the Teheran hostages incident led directly to popular support for Mr Reagan's belligerent 'new patriotism'; and the invasion of Grenada was widely perceived (and approved) as a reassertion of the USA's proper international authority. The invasion also fitted into the President's Caribbean Basin Initiative, announced early in 1982: a package of bilateral military and economic measures designed to link the Caribbean and Central American countries (but excluding Cuba, Grenada and Nicaragua) more closely to US markets, and to foster economic growth based on the private sector.

As James Petras and Morris Morley show, these measures were, in essence, less novel than they may have appeared; they were in line with traditional US policies in the region, regardless of the party in office. On the other hand Petras and Morley also examine the tension that exists between US military and economic interests, and the corresponding tension between US military interests and Canadian economic interests in the region — at least while the Liberals remained in office in Ottawa between 1980 and 1984. They also indicate, however, the way in which Canadian interests have always been subordinated to those of the USA, owing to Canada's own economic and military dependence on the United States.

The articles by Thomas, and by Adkin and Hyett examine the impact of the crisis on the Caribbean and on Chile. The Caribbean has always been a sensitive barometer of global economic and political pressures as a few examples readily show.

The experience of Jamaica, the largest of the English-speaking Caribbean countries, is relatively well known. Michael Manley's Peoples National Party government, elected in 1972, 'turned to the left' in 1974 in face of the deepening world economic crisis and the opposition of the multinational companies which controlled the country's most critical export sector — bauxite. After being re-elected in 1976 on the basis of its more radical programme, however, the PNP government gradually succumbed to a mounting fiscal crisis, mounting unemployment and mounting violence organised by the opposition, and was eventually heavily defeated by Edward Seaga's right-wing Jamaica Labour Party in the elections of October

1980; a result greeted with enthusiasm by the incoming Reagan administration in Washington following the US elections in November of the same year. In Guyana, by contrast, the left, represented mainly by Cheddi Jagan's People's Progressive Party, had been in opposition since it was, in effect, removed from office a second time by British intervention in 1963. Consequently, the governing People's National Congress (PNC) of Forbes Burnham continued to receive US support in spite of its adoption in 1970 of a strategy of 'cooperative socialism'. However, as the article by Bryant Fairley and Devanand Ramnarine shows, the PNC's 'socialism' was very ambiguous; and by 1981 the whole economy had become virtually insolvent, while the democratic process had been effectively suspended.

In Grenada, the rhythm of the crisis was different again. Following independence in 1974 the regime of Eric Gairy presided over economic decline, combined with gross corruption, which in combination with the world economic recession eventually led to the virtually bloodless coup by 40 'combatants' of the opposition New Jewel Movement (NJM) in March 1979. With Cuban help the NJM regime immediately embarked on a programme of radical economic development, and by the end of 1982 seemed to be achieving a large measure of success, as well as mobilising wide popular support. The regime came under considerable diplomatic and economic pressure from the Reagan administration from 1981 onwards (signalled by Grenada's exclusion from the 1982 Caribbean Basin Initiative) and this may well have contributed to its eventual collapse. But while the NJM revolution was partly a result of the world-wide crisis, its final self-destruction through the murder of Maurice Bishop and many of his closest colleagues cannot be explained primarily by external causes. The collapse of the Grenadian experiment was thus all the more traumatic for those who dreamed of an alternative to the dependent and unpromising forms of development so far experienced in the Caribbean.

Why, then, did the Grenadian revolution 'implode' (to use Thomas's apt word)? And what are the likely long-run effects on the region as a whole? In a remarkably candid review Clive Thomas, one of the region's foremost intellectuals, argues that the cause was a fatal insensitivity to the content and forms of pluralist democracy, which are central to the region's hard-won political heritage; and that the consequences are even more profound than the new opening given by the crisis to the assertion of American regional dominance, important though that is in itself.

In considering the significance of the Grenadian crisis of October 1983 the lessons of Chile's socialist experiment (terminated by the murder of Allende

almost exactly 10 years earlier) are of considerable interest. Given the severity of the repression after 1973, the Chilean left has shown remarkable resilience. Laurie Adkin and Catherine Hyett examine the recent thinking of the Chilean left about a democratic transition to socialism, and the 'convergence' that has occurred, both among the left, and between them and their Christian-Democratic and other allies, in the movement for a return to democracy. What is critical in all such situations, they argue, is the degree of 'hegemony' achieved by the parties of the left both in popular organisations of all kinds, and in parts of the state machinery.

The final article, by Bryant Fairley and Devanand Ramnarine, takes up the general issue of alliances between popular and middle class interests by considering the question of 'populism' as socialist strategy. Populism of various kinds is perhaps the commonest of all Third World approaches to development, and the world-wide restructuring of

capital is likely to lead to its resurgence. This makes the analysis of populism a basic task for students of development and policy-makers. Also of note in the case studies presented in this article is that one is drawn from an 'underdeveloped' province of Canada, the other from the Caribbean; but both are analysed in the same way. In each case, the authors argue, a 'populist' programme conceals a project of small-scale capital. The conclusion may be controversial: the article stands as a challenge to others to provide an equally clear and consistent alternative framework, so that the realities and not the rhetoric of the underdeveloped world's 'populisms' become the proper subject of enquiry and policy.

#### **Reference**

Block, F., 1984, 'The myth of reindustrialization', *Socialist Review*, vol 14 no 1, pp 59-76