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# *From Heartland to Periphery: the effects of capitalist restructuring in Quebec*

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## **Introduction**

The current international economic crisis has had severe consequences in the developing countries. Equally significant, however, is the impact of the global crisis and the restructuring of capital in industrialised states as a whole and in peripheral regions of developed states. One clear example of the economic and political consequences of the international crisis in peripheral areas of developed countries is the political scenario within the Canadian province of Quebec. There, macroeconomic trends have eroded the economic foundation of both that province's links with the Canadian state and the relative balance in economic and political relations within Quebec itself. The tenuous political relationship of Quebec to the Canadian state is illustrated by the fact that since 1976 the provincial government has been formed by the Parti québécois, a party committed to the independence of Quebec from Canada [Gagnon and Montcalm 1982]. Political relations within the province also display a realignment of class relations which can be traced to macroeconomic trends.

This article addresses the pattern of alliances and conflicts within Quebec society. It is contended that current conflicts in Quebec can be traced to shifting class positions and alliances which are influenced by the restructuring occurring in domestic and international capitalist relations. To understand these alliances and conflicts within Quebec, one must situate them in an era of both high material aspirations and economic contraction. Of course, this environment of economic contraction and class struggle is influenced by the global economic crisis and Quebec's continuing peripheralisation within the Canadian, continental and, indeed, the world capitalist economic system.

The study commences with an examination of Quebec's position in the larger capitalist economy. Subsequently, it illustrates the relationship between Quebec's economic peripheralisation within North

American capitalism and the political consequences of state intervention aimed at alleviating this trend. Finally, the article analyses the limitations on state capitalism's effort at staving off economic peripheralisation dictated by overall changes in the capitalist economy, and looks specifically at the transformation of Quebec's class structure implied by these broad economic changes and at current conflicts in Quebec politics. Throughout the article, the shifting patterns of class alliances within the province are viewed as integrally related to the global crisis and to Quebec's peripheral position in the capitalist economy.

Until recently, much that was written about Quebec politics identified major changes there as reflecting a change from a traditional to a modern society. At least implicitly, Quebec was viewed as having undergone a change in which the ascendancy of 'modern' elements, and in particular the technocratic middle class (which was closely linked to the Liberal Party of Quebec in the 1960s and afterward to the Parti québécois) had become pervasive and assured.

Recent Quebec politics has manifested serious challenges to the often assumed ascendancy of the technocratic new middle class. While the nationalists are in power in Quebec City, the apparently complacent relationship between Québécois and the péquistes has turned acrimonious. The numerous political difficulties of the Parti québécois (PQ) are illustrated by recent opinion polls (most recent polls indicate that only one in five Québécois now support the PQ), a series of 21 defeats in by-elections, and fractious relations with major public service unions. In fact, it would appear that major realignments of political forces in Quebec are underway.

## **Quebec in the Capitalist Economy**

Since the Second World War, western economies have become increasingly integrated. While a full discussion of the effects of international economic integration is beyond the scope of this article, three dimensions

which have significant repercussions for Quebec are noteworthy. These are continental economic integration, geographic shifts within the Canadian economy and the growth of state capitalism.

Economic internationalisation has involved increasing integration of the Canadian and American economies. And, despite the prominent role of Canada's financial bourgeoisie in international capitalism, the Canadian economy fulfils a modest role within the North American context. Economic integration has also involved an overall restructuring within North American capitalism. In addition to the substantial presence of American multinationals in Canada, this restructuring has brought an increasing concentration of capital within Canada (as manifested in a series of major merges in the finance, resource and commercial sectors during the 1970s and early 1980s) and an expansion of Canadian firms in the US market. As well, North American economic integration has involved the gradual elimination of tariffs 'protecting' the Canadian market from American economic hegemony.

A second aspect of economic internationalisation (and one which can be linked to the previously discussed trend of continental economic integration) is a geographic shift in economic activity within Canada. In recent decades, the centre of economic dynamism within Canada has shifted westward, heightening the level of economic activity in provinces such as Alberta, and firmly establishing Toronto rather than Montreal as Canada's major economic centre. A corollary to this shift has been a decline in the economic role of Montreal within the Canadian economy and the economic peripheralisation of Quebec within continental capitalism. Of course, this has exacerbated the effects of the overall economic contraction and heightened political struggle between classes in Quebec.

Finally, along with most other 'industrial' states, Canada and the province of Quebec have undergone a period of economic adjustment in the face of the international restructuring of capital. This readjustment has involved, among other things, greater state intervention in the economy (or the growth of state capitalism) aimed at maintaining high levels of employment despite Canada's declining attractiveness to labour-intensive industries. Greater state capitalism has not only accentuated conflictual relations between the Quebec and Canadian governments but it has enmeshed the Quebec state apparatus in the changing class configuration within the Quebec context.

### **Quebec's Economic Peripheralisation**

The implications of changes such as the growth of state capitalism, economic continentalisation, the

westward shift of economic activity and Quebec's economic peripheralisation have been subjects of considerable discussion by students of Canada's political economy. Their effects clearly have been compounded in Quebec, and have led to the current scenario of struggle to obtain ever diminishing economic resources.

Since the Second World War (and, indeed, even prior to it) capitalist trends have entailed negative implications for the Quebec economy: head offices gradually relocated outside Quebec, the once powerful Montreal anglophone bourgeoisie has been gradually leaving the province, and the overall level of economic activity within the formerly central Montreal business community has shown a consistent decline. The relative decline of the Quebec economy within the Canadian and the continental economic market, is illustrated by almost any economic indicator one chooses.

By the end of the war the Montreal Stock Exchange had lost its supremacy to the Toronto Stock Exchange. Continuation of the peripheralising trend is indicated by the fact that in 1950, the dollar value of transactions on the Montreal Stock Exchange was 73.4 per cent of that on the Toronto Stock Exchange. By 1965, it was 39.1 per cent and in 1980 13.1 per cent (based on data provided by the MSE and TSE). Whereas in 1952 Montreal has 124 company headquarters for each 100 in Toronto, as early as 1972 this ratio had declined to 62 per 100, and recent studies show this to be a continuing trend [Chung 1974: 326-41; Government of Quebec 1978: passim]. In the 1976-82 period, investment in Quebec declined approximately three per cent annually whereas in Canada as a whole it increased approximately 2.5 per cent annually [Rabeau 1983:3]. Trends in the manufacturing sector similarly indicate the continued decline of Quebec relative to provinces such as Ontario, Alberta, and British Columbia. While in the 1975-83 period Quebec lost nine per cent of total employment in that sector, Ontario and Alberta made gains and British Columbia maintained its position. Interprovincial migration data show that in the 1961-83 period Quebec experienced heavy losses of population while Alberta and British Columbia made substantial gains.

It is important to note, however, that this decline of the Montreal and Quebec economies relative to Toronto and other parts of Canada has been rooted in long-term economic trends rather than in particular policy decisions adopted by Quebec governments. Despite frequent assertions that nationalist legislation has frightened business investment away from Quebec, historical data suggest that the restructuring of capital within the North American setting has

simply involved the gradual peripheralisation of Quebec in the continental economy.

The early effect of this peripheralisation by market forces was camouflaged by a massive growth of the state apparatus in the 1960s and 1970s as the Quebec government undertook increasing public commitments aimed at shoring up the Quebec economy. From 1960 to 1980, Quebec provincial expenditures grew at a faster rate than in other provinces. By 1980, expenditures of all governmental levels in Quebec were 40.3 per cent of GPP compared with 25.7 per cent of GPP in Alberta and 37.2 per cent of GPP in Ontario. State capitalism in Quebec, and the extensive state apparatus it implied, not only masked evidence of Quebec's economic peripheralisation but enhanced the power of the technocratic new middle class located primarily in Quebec's state structures. The new middle class came to dominate Quebec's politics. Nevertheless, the limits to state capitalism became apparent in the late 1970s and early 1980s and, as current struggles in Quebec illustrate, these limits have engendered a new struggle for ascendancy in the province.

### **Changing Class Structure and Current Conflicts**

In the post-war era, most western states readily resorted to state intervention to counteract the negative impact of economic internationalisation. And, although in recent years there has been a slowing, if not a reversal, of this trend, state capitalism resulted in the growth of public sectors and the role played by states in capitalist economies. In the 1960s and 1970s, the Quebec government became increasingly interventionist.

In the 1940s and 1950s, Quebec politics had been dominated by the traditional middle class (although the power of this class was always circumscribed by the capitalist mode of production and the powerful position of Quebec's anglophone bourgeoisie in that mode of production) and marked by increasing challenges on the part of the industrial working class and the rising technocratic middle class in Quebec's urban centres.

With the Liberal government's assumption of power in 1960, it appeared that 'modern' elements of Quebec society had taken over the helm in the province. The links between the new middle class and the Liberal Party of Quebec in the 1960s and, subsequently, the Parti québécois are unmistakable. These governments disproportionately derived their electoral support from this class and adopted policies beneficial to it [McRoberts and Posgate 1980:138]. The substantial increase in the size of the public sector and its activities

in the 1960s and 1970s suited the interests of the new middle class.

The forms which interventionism took in Quebec, most of which served to enhance the power of the technological new middle class, were as varied as they were widespread. The Quebec government made extensive use of *sociétés d'états* (provincial crown corporations) to stimulate economic growth and to restructure regional economic activity in order to improve the province's position in the Canadian context. Notable interventions by the Quebec government included the establishment of the Caisse de dépôt et de placement, the Société générale de financement, Sidbec, and the nationalisation of Hydro-Québec. These initiatives were clearly part of an overall approach to economic planning in which the powerful state apparatus would be the major initiator and actor.

Although these interventions were meant to stop Quebec's peripheralisation, they at no time posed a fundamental challenge to the capitalist economy, but simply maintained the economic structure and sought to protect Quebec's position and to replace English-Canadian and American capital with Quebec capital. While in addition to expanding the state sector this policy approach fostered an indigenous Quebec bourgeoisie, it failed to reverse the process of Quebec's peripheralisation. Moreover, since the economic structure remained capitalist, the state eventually had less and less means to intervene in the process of accumulation and to ensure that market forces would work to Quebec's advantage.

While the dramatic growth in Quebec's state apparatus delayed the impact of economic peripheralisation and forged a bond between the 'étatiste' Parti québécois and its major supporters (the technocratic new middle class), by the early 1980s the economic contraction imposed by the overall economic crisis, compounded by the process of Quebec's economic peripheralisation, could no longer be evaded. It became increasingly apparent in Quebec that it was no longer possible to support a massive state apparatus within the context of a capitalist economy experiencing serious economic dislocation.

As a response to this reality, the Parti québécois government, which had become identified with a statist approach to economic activity, apparently converted to the efficacy of the marketplace as the most effective allocator of economic resources. An examination of traditional positions adopted by the Parti québécois, such as its 1975 electoral platform, shows that economic planning had been a pillar in its economic development strategy. Since the Parti québécois never fully challenged the capitalist system itself, however,

the life-span of such an approach was limited from the start. The gradual shift of the PQ away from a state-led approach toward a reliance on the market is evident in policy statements such as *Bâtir le Québec* [Government of Quebec 1979] and more recently in *The Technology Conversion* [Government of Quebec 1982] in which it addressed problems related to adjustment of existing manufacturers to market conditions, new industrial development opportunities, and the need to improve the efficiency of resource industries. This policy statement made clear the government's intention to base hopes for a reversal of economic dislocation on private enterprise initiatives. The document states in part:

The responsibility of ensuring sufficient, sustained development lies first of all with the private sector, since most enterprises are in this sector. The government of Quebec has as one of its prime objectives to create and maintain conditions favourable to the development and dynamism of private initiatives, and feels that the best system of effectively allocating resources remains the market economy. [Government of Quebec 1982:20]

Thus, although in the 1960s and 1970s the Quebec government had put in place diversified instruments of a development strategy based on public sector initiatives, acceptance of a capitalist context inevitably limited what was possible through state intervention, and the ultimate power of market demands reasserted itself in the 1980s.

Unsurprisingly, affirmation of the Parti québécois government's faith in private enterprise as the motor of economic growth was accompanied by increasing divergence between the interests of the long allied péquistes and the technocratic middle class. The technocratic new middle class based in the public sector (represented by organisations such as the public sector unions), continued to demand artificially high salaries and sought insulation from the impact of economic dislocations inherent in the recession. The Parti québécois, as a result of the limits on state capitalism, could not continually acquiesce to the demands of the new middle class. It became increasingly apparent that the Quebec government, like its counterparts in other jurisdictions, was going to have to impose constraints on the public sector if Quebec was to respond to current capitalist needs for less public sector spending and borrowing. The widening gap between the interests of the technocratic middle class and those of the governing Parti québécois was, in fact, simply one dimension of a new era of conflict, controversy and struggle for ascendancy within Quebec.

In the 1980s, other classes have asserted themselves and are challenging the position of the technocratic

new middle class. Quebec is now the scene of deep political ferment, and the obvious tensions there indicate the crumbling of alliances that dominated Quebec politics throughout the 1960s and 1970s, and a realignment of class forces.

As a consequence of the lessened role in Quebec of the once dominant anglophone bourgeoisie, and also as a result of state efforts to foster francophone business, the strength of the francophone bourgeoisie increased. Eventually this indigenous bourgeoisie demanded both restrictions on the new middle class in the public sector and increased acquiescence to its interests on the part of government policy. The satisfaction of these demands is illustrated by events during recent economic summits held by the PQ government.

Increasing tension between the governing Parti québécois and its traditional ally (the technocratic new middle class lodged in Quebec's public sector) is shown in recent labour tensions between the PQ government and the public sector unions. In response to the present economic conjuncture, the PQ government passed in 1982-83 a series of laws which reduced government employees' pension benefits, dictated bargaining conditions and salaries, arbitrarily determined conditions of work for the following three years of public employees' contracts, put an end to the CEGEP and public school teachers' strike and imposed retroactive pay reductions in the public sector [Bills 68, 70, 105 and 111]. Not surprisingly, these laws had a devastating effect on the support of what was formerly its staunchest ally.

Nevertheless, it would be incorrect to infer that relations between the PQ government and all unions had been entirely ruptured. One aspect of the major realignment underway within Quebec society has involved, as we have noted earlier, a greater rapprochement between the PQ and both the business sector and the private sector unions. The choice made by the Parti québécois government increasingly to restrict governmental activities and to foster instead private sector initiatives naturally led to greater conflict with public sector unions and greater accord with various elements of the private sector.

Class relations in Quebec have been further complicated by the persistence of petty producers in Quebec's rural areas. The subsistence mode of production has proven resilient in the face of capitalist forces. (A more advanced version of this mode of production, one establishing stronger links with the capitalist mode itself, is embodied in community enterprises and cooperatives in Quebec's rural areas.) As links between the Quebec economy and the broader market dynamic became increasingly tenuous, classes linked to the petty producers' mode of

production reasserted themselves politically. This reassertion has become a major element of competition between social classes in Quebec, and illustrates the continuing importance of local and regional power bases within Quebec's class constellation. The political tensions involved in the PQ's increasing reliance on the private sector, and the problematic relationship between the government and the large public sector unions were exacerbated by the growing reassertion of regional political forces (notables) that seemed to have disappeared from the province's political landscape in the 1960s and 1970s [Gagnon 1984]. Today, it must be recognised that regional power groups, especially in the form of popular groups in Quebec's rural areas, have re-emerged, and pose growing challenges to the direction in which the present Quebec government wishes to take Quebec society in the 1980s. Particularly indicative has been the resistance of popular groups to the spatial restructuring and the rationalisation of economic activities in the peripheral regions of the province.

While it is difficult to predict the success of popular forces, and their efforts to put regional issues on the political agenda in the 1980s, it would appear that further confrontation is likely. This is suggested not only by the reorganisation currently underway at the regional level via the establishment of *Municipalités régionales de comté* (MRCs), but by the current mood of state power in Quebec. For example, the recent policy statement produced by the Quebec Ministry of State Planning and Development, *Le choix des régions*, indicates an awareness by the provincial authorities of a need for broad social consensus regarding future developments within Quebec [Government of Quebec 1983]. However, the policy proposal fails to address the fundamental problem which has confronted Quebec's peripheral regions since industrialisation began. By calling on the regions to pursue self-development, the statement fails to confront the relationship between the structural weaknesses evident in the peripheral regions and the uneven development in the province implied by current capitalist needs.

In short, Quebec is currently the scene of conflict and shifting alliances involving not only the government party, the technocratic middle class and the working class, but also a revitalised francophone bourgeoisie, and the renewed importance of notables who were such a dominant element of Quebec's power structure prior to the ascendancy of the technocratic new middle class and its political expression in the Quebec Liberal Party during the 1960s and the Parti québécois in the 1970s. Indeed, Quebec society gives every indication of undergoing a major realignment in its power structure that is equal to, if not greater than, the much noted shifts epitomised in the Quiet Revolution.

## Conclusion

The shifting alliances manifest in Quebec today both jeopardise the position of the incumbent Parti québécois and threaten the interests of the new middle class which became extremely powerful in the 1960s and 1970s.

Transformations in the world economy and the restructuring of capitalist relations with its requirement of a new international division of labour circumscribe these shifting class alliances and the current struggle within Quebec society. The initial stages of Quebec's economic peripheralisation and the Quebec state's response to this (in the form of increasing state intervention) facilitated the growing political power of the technocratic middle class. It is now evident that the capacity of the Quebec state to intervene as it did in the 1960s and even the 1970s has weakened considerably. It is also clear that the Parti québécois government can no longer remain closely tied to the interests of the technocratic new middle class. It now has to reckon with the reassertion of power in Quebec's peripheral regions, a francophone bourgeoisie renewed and strengthened by many of state capitalism's initiatives in the 1960s and 1970s, and workers located in the private sector. While it is difficult to predict whether the current Quebec government will be able to ride the tide of shifting class structures in Quebec, it does appear that the next few years will continue to see political upheavals which can be linked to the impact of macroeconomic trends on Quebec society.

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