The Structural Adjustment of Capitalism in Saskatchewan

By John W. Warnock
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With a goal of full employment, and an expanded welfare state, the Fordist system of mass production and mass consumption was seen as an attempt to create “capitalism with a human face”. (2)

Over the past 25 years we have witnessed a major transformation of the capitalist system of production. In the popular press, this is termed the shift from the Keynesian welfare state to globalization. Political economists refer to this as the restructuring of the capitalist system, a change in the system of capital accumulation. (1)

The old capitalist system is described as the “industrial paradigm”, “organized capitalism”, or “Fordist production”. It was closely identified with the nation state and its support for capital accumulation, mass production and consumption, the rise of the trade union movement, and the Keynesian welfare state. The old system emerged during World War II as the capitalist system began to recover from the second great international depression in the 1930s. It involved varying degrees of national planning to try to moderate the boom and bust swings of the business cycle. With a goal of full employment, and an expanded welfare state, the Fordist system of mass production and mass consumption was seen as an attempt to create “capitalism with a human face”. (2)

In the First World of the advanced, industrialized, capitalist states, almost all of the main political parties endorsed and participated in this system of political economy. It was not just the social democratic and labour parties (like the CCF/NDP) that implemented this broad program. In the period after World War II and down to around 1980, liberal and conservative parties agreed with this general direction. Aside from the communist parties, there was a virtual consensus in support of this general program. In Canada we can think of the implementation of the welfare state by the Liberal governments of Lester Pearson and Pierre Elliott Trudeau and the Progressive Conservative government of John Diefenbaker. All three expanded the role of the government in the economy. They also sought to mitigate poverty and inequality, including the inequality among the different regions in Canada. There was broad popular support in Canada for this policy direction.
The Collapse of the Keynesian Welfare System

Why did this end? There have been a lot of reasons set forth. Academics who are part of the new Canadian political economy attribute it to the very nature of the capitalist system. Because of the inequality of income and wealth, which is basic to the system, there are recurring business cycles and even depressions. The capitalist system inevitably leads to the accumulation of excessive capital; outlets for profitable investment begin to disappear. The rate of profit begins to fall. The result is a crisis of overproduction which leads to a bust in the business cycle. After a recession or depression, which clears out a great deal of “inefficient” productive capacity, the cycle of growth begins again.

After World War II there was a long boom with no serious recessions. Government spending on the military absorbed much of the excess capital. But the Vietnam War ended in 1974, and a major world recession came soon after. It coincided with the increase in oil prices and inflation in general. From 1973 to 1980 the general rate of profit fell quite dramatically in all the advanced capitalist states. The result was a major demand by the capitalist class and groups representing big business for a restructuring of the system. This began in earnest in 1980 when the central bankers of the advanced capitalist governments agreed to increase their interest rates and brought on the 1980-1 deep world recession. The push by big capitalists for major political change came with the election of Margaret Thatcher’s Tory government in Britain in 1979 and Ronald Reagan’s Republicans in the United States in 1980. (See Harrison & Bluestone, 1988; Kolko, 1988; Warnock, 1988.)
The Neoliberal System of Capital Accumulation

The new system of capital accumulation is commonly referred to as “globalization” in North America. Elsewhere it is called “neoliberalism” because it is a return to the political-economic system of the free market, free trade, and the re-establishment of the paramount rights of private property. Political economists call the new system “post-industrial capitalism”, “disorganized capitalism”, “flexible accumulation”, or “neoliberalism”. On the political level it has entailed the shrinking of the welfare state, a return to regressive taxation systems which promote inequality, and a broad attack on the rights of organized labour. Capital has benefitted from the introduction of deregulation by the state, privatization of public assets, cuts in corporate taxes, and direct and indirect government support for business enterprises.

Similar policies were imposed on almost all of the states in the Third World through “structural adjustment programs” (commonly called SAPs) imposed by the International Monetary Fund (IMF), the World Bank (IBRD), the World Trade Organization (WTO), and regional economic institutions. These institutions are all dominated by the governments of the advanced capitalist states. A key to the SAPs is the elimination of any state control over capital investment. Capitalists now demand the right to invest wherever they choose, repatriate capital without any constraints, and sell their products anywhere in the world without facing import controls or restrictions. Decentralization of production to peripheral regions has enhanced flexibility for investors. These principles are also entrenched in the Canada-U.S. Free Trade Agreement (1989) and the North American Free Trade Agreement (1994).
Many political economists have stressed the increased power of finance capital under the new system. There is now one international market for money and credit plus a world system of investment in stock markets and commodity exchanges. Profits are increasingly sought in the manipulation of stocks and bonds; there is much less interest in direct investment and profit from production. Money quickly flows in and out of national stock markets around the world. Business Week magazine termed this new system “Casino Capitalism”.

In practical terms, the new system of capital accumulation has led to more power for large transnational corporations. They are assisted by the new political institutions which oversee the general process: the G-8 representing the dominant capitalist countries, the Organization for Economic Co-operation and Development (OECD) which represents all the advanced capitalist states, and other regional organizations. After the collapse of the Soviet bloc in 1989, the U.S. government emerged as the unchallenged leader of the advanced capitalist states militarily and politically. The United Nations, via the Security Council and the office of the Secretary General, has become another instrument of U.S. policy and the First World in general. The United States also remains the dominant world economy and is the leading force in all the international economic and financial organizations. (For more detail on the transition, see: Dasgupta, 1998; McBride & Shields, 1997; Hoogvelt, 1997; Teeple, 1995; Harvey, 1989.)

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## TABLE 1:
The Contrast Between Organized Capitalism and Flexible Capitalism

<table>
<thead>
<tr>
<th><strong>Organized Capitalism</strong> — The Fordist System</th>
<th><strong>Flexible Capitalism</strong> — Neoliberalism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass production of homogeneous goods</td>
<td>Decentralized small batch production</td>
</tr>
<tr>
<td>Uniformity and standardization</td>
<td>Variety of product types</td>
</tr>
<tr>
<td>Economies of scale and large plants</td>
<td>Dispersal, sub-contracting</td>
</tr>
<tr>
<td>Large industrial cities</td>
<td>Deconcentration to peripheral areas</td>
</tr>
<tr>
<td>Mass consumption of consumer goods</td>
<td>Individualized “yuppie” culture</td>
</tr>
<tr>
<td>National brand advertising</td>
<td>U.S. fashion promoted worldwide</td>
</tr>
<tr>
<td>National collective bargaining</td>
<td>Dispersal to non-union plants</td>
</tr>
<tr>
<td>Payment by wages and salaries</td>
<td>Personal payments, bonus systems</td>
</tr>
<tr>
<td>High degree of job specialization</td>
<td>Elimination of job demarcation</td>
</tr>
<tr>
<td>Full time unionized jobs</td>
<td>Part time, temporary, contract, home/ work</td>
</tr>
<tr>
<td>Regulations for health and welfare</td>
<td>Deregulation and new regulation systems</td>
</tr>
<tr>
<td>National welfare state</td>
<td>Privatization of collective needs</td>
</tr>
<tr>
<td>National policies on regionalism</td>
<td>Free market policies in depressed regions</td>
</tr>
<tr>
<td>Capital support for a national agenda</td>
<td>Capital support for internationalization</td>
</tr>
<tr>
<td>Liberal system of social control</td>
<td>Emphasis on repression and prison system</td>
</tr>
<tr>
<td>Ideological and class political parties</td>
<td>New religious and racialist parties</td>
</tr>
<tr>
<td>Inclusive religious organizations</td>
<td>Rise of fundamentalist religions</td>
</tr>
<tr>
<td>Socialization</td>
<td>Individualization and promotion of greed</td>
</tr>
<tr>
<td>Modernism</td>
<td>Postmodernism</td>
</tr>
</tbody>
</table>

**NOTE:**
Drawn from David Harvey, *The Condition of Postmodernity.*
Resistance to the Neoliberal Order

Resistance to the new system of “flexible accumulation” has been widespread. However, opposition has been contained in the formal political realm. All liberal democratic governments have become more authoritarian. The corporate mass media has given unchallenged support to the new system. Liberal and conservative parties shifted their policies to follow the neoliberal agenda set by capital. In Canada the new politics of neoliberalism has been implemented by the Tory government of Brian Mulroney and the Liberal government of Jean Chrétien. (See Shields & Evans, 1998; McBride & Shields, 1997)

The majority, who opposed these changes and are the victims of the shift from the old Keynesian welfare state system, have been unable to mobilize effective resistance. They have lost the organizations which traditionally advocated their cause. The communist parties have disappeared and no new large left wing parties have emerged to take their place. Communist, socialist, and social democratic trade unions are under attack, and their influence and membership has declined. The social democratic and labour parties and governments, increasingly run on an authoritarian basis, have also shifted to the right to support the new world order. This began with the Labour governments in New Zealand (1984-90) and Australia (1983-1996). Tony Blair’s Labour government in Britain (1997-present) has gone far beyond Margaret Thatcher in implementing the neoliberal agenda of deregulation and privatization. Other social democratic governments in Europe followed. The Green parties emerged to challenge neoliberalism and the ecological crisis, but they have been unable to move beyond the status of relatively small opposition parties. Where they have
joined governing coalitions with social democratic parties (as in Germany, Italy, and France), they have ended up supporting neoliberal programs and militarism.

In the Third World, the communist, socialist, and nationalist movements and parties were repressed by a variety of dictatorships backed by the U.S. government. Because of this, popular movements of resistance turned to extra-parliamentary organizations and coalitions and local mobilizations to try to hold back the tide. In many places they have won local victories, but they have been notably unsuccessful in blocking the structural change. Furthermore, in a great many less developed countries the collapse of “modernist” political movements and parties has been replaced by the rise of “postmodern” movements and parties which represent fundamentalist religions. Political repression helped to produce the politics of terrorism.

Saskatchewan and the Shift in World Capitalism

In Saskatchewan, the Fordist system of production and the Keynesian welfare state were established after World War II by the CCF government headed by T. C. Douglas. The state was used to help diversify the economy in hopes that capital would be created and invested in the province. Economic growth would increase incomes and wealth, increase the ability to swell government revenues, and permit the expansion of the welfare state. This was the direction of the government from 1944 to 1964. Even during the right-wing Liberal government of Ross Thatcher (1964-71) the Keynesian welfare state and progressive taxation were not really challenged. (See Brown et al, 1999; McLeod & McLeod, 1987; Lipset, 1971)

The NDP government under Allan Blakeney (1971-82) expanded the role of the government in the economy. Resource extraction industries were enhanced, and the government used higher taxation, private-government joint ventures, and Crown corporations to significantly increase the share of resource rents going to the provincial government. New social programs were introduced. The minimum wage was set as the highest in Canada. Social assistance rates were raised significantly. Trade union membership increased. (See Brown et al, 1999; Glor, 1997; Harding, 1995; Gruending, 1990; Richards & Pratt, 1979)
Support for the Blakeney government and the Keynesian welfare state faded after the deep recession of 1980-1. The more radical farmer base of the NDP, and those committed to the co-operative movement, declined. The NDP became the dominant party of urban Saskatchewan, but it was clearly not a Labour party. The party leadership, in particular, was dominated by lawyers, professionals, middle level managers, middle-level civil servants, and bureaucrats from credit unions and co-operatives. Labour representation in party leadership was minimal. The disadvantaged sectors of the society, like the Aboriginal population, were excluded.

The Progressive Conservative Party replaced the Liberals as the new right-of-centre party in the province. The Tories had the support of small business interests, the core of the political right in Saskatchewan. They also had the support of most of the new land-rich farmers who formed new agricultural commodity groups. The party formed links with those elements which supported the traditional patriarchal family, opposed feminism and equal rights for women, and insisted on traditional marriage and sexual behaviour. It developed support among the rising numbers of Christian fundamentalists, those who harboured racist attitudes towards Aboriginal people, and those who disliked the new ethnic composition of Canada brought by recent immigration. PC supporters were also generally hostile to Quebec national aspirations and official bilingualism. Supporters of this “social conservatism” were strongest in rural Saskatchewan.

The Progressive Conservative government of Grant Devine (1982-91) supported the political ideology of Margaret Thatcher and Ronald Reagan. It attacked organized labour. Its tax policies began the shift away from the progressive tax system based on ability to pay. It began the privatization of the Crown corporations in the resource sector, cut royalties for the resource extraction industries, and gave strong vocal support to the politics of the free market and the free trade agreements with the United States.
Nevertheless, the Tories did not retreat to the passive, neoliberal state. They used the economic power of the state to help bankroll major economic developments in the province. These included Saferco Fertilizer (Cargill), Crown Life Insurance, Intercontinental Packers, the Bi-Provincial Upgrader (Husky Oil), Weyerhaeuser, Miller-Western Pulp, Gainers Meats, and the Co-op Refinery. Loans and grants were given to smaller businesses through the Saskatchewan Economic Development Corporation. Cutting taxes while expanding government programs and investments led to regular budget deficits and a major increase in provincial debt. The Devine government initiated the capitalist restructuring project in Saskatchewan. (See Brown et al, 1999; Biggs & Stobbe, 1991; Pitsula & Rasmussen, 1990)

Restructuring Saskatchewan

While in opposition (1982-91), the NDP developed a policy position that was clearly to the left of the Tories. They opposed all the major policies of Grant Devine’s government and promised a return to the social democratic orientation of the Blakeney government. They strongly opposed the privatization of Crown assets and were extremely critical of the Tories’ tax policies. They promised to raise the royalties and taxes on the resource industries back to the levels they were under the Blakeney government. They would end poverty in Saskatchewan and close the food banks. Public opinion polls in 1991 showed the general population wanted a return to “The Saskatchewan Way”, a mixed economy with a progressive and caring welfare state.

It was soon clear that the new NDP government headed by Roy Romanow was going in a different direction than expected. With the first budget, it sent a clear message that the NDP government would continue the policy of capitalist restructuring begun by the Tory government of Grant Devine.
In the debate in the Legislature, the NDP caucus set forth a clear alternative to the Tory government. They were supported by the Saskatchewan Coalition for Social Justice and the Saskatchewan Federation of Labour (SFL). In the October 1991 provincial election, the NDP won by a landslide.

It was soon clear that the new NDP government headed by Roy Romanow was going in a different direction than expected. With the first budget, it sent a clear message that the NDP government would continue the policy of capitalist restructuring begun by the Tory government of Grant Devine. The excuse for the change in direction was the large budget deficit and debt. But as the SFL and the Coalition for Social Justice pointed out, when the CCF government of T. C. Douglas took office the debt was considerably higher as a percentage of the annual operating budget. The Douglas government was determined to introduce major social changes. It introduced a progressive taxation system and paid off the debt over 21 years. In contrast, the Romanow government decided to continue the restructuring of capitalism as demanded by the business community. (See Brown et al, 1999; Warnock, forthcoming 2004.)

The NDP has now been in office in Saskatchewan for 12 years. The outline below summarizes the major thrust of the government in the implementation of the global program for the restructuring of capitalism. In this process, the NDP government has followed the patterns set by the Labour governments in New Zealand and Australia, but fear of defeat at the polls has prevented them from going as far as the Labour government of Tony Blair in Great Britain.

(1) Taxation policy.

The stated goal has been to reproduce the tax structure that exists in Tory Alberta. There have been income tax cuts, particularly for those in the highest income brackets. Business and corporate taxes have been cut. User taxes have been increased. Cutting provincial grants to school boards and municipalities has resulted in higher property taxes and user fees. They removed the municipal business tax. Royalties and taxes on resource industries have been steadily reduced to about one-third the level they were during the Blakeney government. Trying to make up for lost revenues, the NDP introduced government-sponsored gambling.
(2) **Privatization and deregulation.**

The NDP government sold the remainder of the government’s equity in the Potash Corporation of Saskatchewan, Sask Oil, Cameco, and the Lloydminster Heavy Oil Upgrader. It sold Sask Forest Products to MacMillan Blodell Corporation. It removed the limits on foreign ownership for privatized corporations imposed by Grant Devine’s Tory government. The NDP has carried out a piecemeal privatization of the Crown utility corporations, including an increase in contracting out. Since 1982, the number of government employees has fallen from 12,000 to 9,000. Environmental protection services have been hit hard by budget cuts. At the municipal level, the lack of city planning has enhanced urban sprawl and the changes brought by large shopping centres and box stores.

(3) **Agriculture and rural development.**

The NDP endorsed the closing of grain elevators, the abandonment of branch RR lines, and the construction of large elevators. It strongly supported the move by the management of the Saskatchewan Wheat Pool to become a private grain company raising capital on the stock market. It expressed no opposition to the move by U.S. conglomerate Archer Daniel Midland to take over UGG and the Alberta and Manitoba pools. It welcomed the expansion into Saskatchewan of foreign agribusiness giants Cargill, ConAgra, and Dreyfus. It abolished the GRIP program to assist farmers in need. It abolished the hog marketing board and has actively promoted, supported, and financed corporate hog megabarns. It has provided large subsidies and other supports for the huge foreign-owned chemical corporations developing genetically engineered crops. It gave additional grants to Intercontinental Packers and then stood aside as it was bought out by U.S. giant Smithfield Foods. It gave Cargill a grant to build an oilseed crushing plant. The NDP announced it would put up 40% of the capital to help Broe Industries of Denver to establish four ethanol plants in the province.

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(4) **Northern development.**

In spite of promises made while in opposition, the NDP government has refused to share resource royalties with the Aboriginal communities in northern Saskatchewan. Northern development centres on the extraction and export of uranium, owned and controlled by two corporations, Cogema and Cameco, both heavily subsidized by government. U.S. giant Weyerhaeuser bought MacMillan Blodel, a move endorsed by the NDP government. The new Forest Resources Management Act grants the forest giant access to over 12 million acres of forest land with virtually no regulation or monitoring by public servants. Royalties are minuscule, far smaller than the costs of maintaining the forest. Massive clear cutting remains the mode of wood extraction. The NDP has refused to implement the principles of the Forest Stewardship Council.

(5) **Downsizing social programs.**

With the cuts to government revenues, it was inevitable that programs would be slashed. Until the 2003-4 budget spending on K-12 and higher education was cut. There was a major streamlining of health services, cuts to the budget, and a decentralization of services with a centralization of budgeting power. The minimum wage fell to one of the lowest in Canada. Basic social assistance rates were frozen. Food bank dependence increased. The one exception to downsizing has been the corrections services. The province has the highest crime rate in Canada, and it also has the highest rate of incarceration. It has the highest rate of youth incarceration. Unemployed Aboriginal people fill the jails.

(6) **The environment.**

The NDP government abolished the Tories’ Energy Options Panel, and in 1995 abolished the Saskatchewan Energy Conservation and Development Authority. They had both produced studies advocating soft energy paths rather than the use of coal. The NDP opposed the 1997 Kyoto conference on global warming, refused to send a delegation, and announced that only voluntary guidelines were necessary to deal with global warming and climate change. Recently, the NDP government has been refurbishing coal generating plants rather than introducing energy conservation and efficiency measures. Water pollution remains a serious problem outside major urban centres. While the NDP government has been praised by the Fraser Institute, it has regularly been given a failing grade by the Sierra Club and the Pembina Institute.
Conclusion

Since the 1980s, we have seen a restructuring of international capital in an effort to increase the rate of profit. At the federal level in Canada this restructuring is reflected in the free trade agreements with the United States and support for an expansion of the powers of the World Trade Organization. It has been implemented through the pro-business policies of the Mulroney and Chrétien governments.

In Saskatchewan this restructuring began with the Tory government of Grant Devine. In the 1991 election the citizens indicated that they wanted to return to the social democratic traditions of the past. But the NDP governments headed by Roy Romanow and Lorne Calvert have continued the policy direction begun by the Progressive Conservatives. This has resulted in a major transformation of the structure of the private sector in the province. One of the side effects has been the significant increase in foreign ownership and control by large corporations and their increasing monopoly power within the province. As well, social programs have been cut back due to the loss of government revenues.

Following international trends, resistance to these changes has been widespread. But this resistance has been ineffective in stopping or even slowing the change. In the past, those opposed to the agenda of big business have turned to the CCF/NDP as their vehicle for political mobilization. However, that party has followed the pattern of other social democratic parties and has become more authoritarian internally, run from the top down. Its leadership has endorsed the policies central to the restructuring process. The
opposition Liberal and Saskatchewan parties have not offered any policy alternatives. Only the new, very small New Green Alliance offers a different approach, but as yet has no ability to influence or change government policy.

Frustrated by their inability to influence the government, voters in Saskatchewan have responded by dropping out of politics and even refusing to vote. They are cynical and express disdain for politicians. Normally, around 80% of enumerated voters actually vote in Saskatchewan. In 1991, 83% of enumerated voters went to the polls, and the NDP was supported by 275,780 voters. In 1995 the turnout fell to 64% of enumerated voters, and support for the NDP fell to 192,320. In the 1999 election, the turnout was again 64% of enumerated voters, but the NDP received only 156,243 votes. The use of the enumerated total exaggerates the percentage of people who vote, however, because many eligible voters are not enumerated. In the 1999 election those who voted amounted to only 56% of eligible voters.

One can see how support for the NDP has fallen. When they were swept from office in 1982 they actually received 201,390 votes, far more than they received in 1999 when they formed a minority government with support from the members of the Liberal Party. Why is this happening? The NDP no longer stands with the relatively disadvantaged people who oppose the neoliberal agenda. The withdrawal of so many people from politics will not change until either the NDP reverses direction or a new progressive movement is formed. There is no indication to date that the NDP leadership is about to change its policy direction.
Footnotes

(1) The Law of Accumulation is described by Adam Smith in *The Wealth of Nations*. Individual owners of capital constantly seek the highest rate of return on their capital investment, balanced by the risk involved. Owners of businesses are driven by the competition with other capitalists and firms. If they do not introduce new technology, make changes in the structure of their employed labour force, or introduce new designs and products, they will be driven out of business and lose their capital. Capitalists will always seek to try to obtain a monopoly position. They will always seek help from government to protect themselves against competition and to enhance their profitability.

(2) The Fordist system is identified with Henry Ford and his development of the large factory and assembly line production. It is also identified with the mass consumer society, where ordinary workers would have incomes high enough to purchase a wide range of goods. In the post World War II period it became linked to the rise of trade unions and the welfare state. As part of this system of capitalist political economy, workers were to rule out the socialist alternative.
References


