

From the Welfare State to Vampire Capitalism

MARJORIE GRIFFIN COHEN

Social policy as a progressive force has been more or less dead in Canada for the past ten years.' The optimism of feminists in the 1970s - that government policy could be changed to reflect women's needs - has been replaced by the desperate realization that even the few redistributive gains women worked so hard to achieve are being reversed? Women's political activism focused on the state continues, but it is activ-

ism to hold on to what remains of the welfare state. The relationship between women and the welfare state has been an ambiguous one, and feminists are now in the unenviable position of defending programs and whole systems we have criticized in the past. This criticism focused mainly on the ways in which the institutions of the welfare state have been shaped by ideologies and practices which perpetuate inequalities. Too frequently, the state's responses to feminists' demands, when actually realized, turned out to be frustratingly crude imitations of what women truly wanted. In some bizarre way, the program women struggled for would be twisted so that it truly did seem as though women had replaced private patriarchy with state patriarchy.⁴ This does not mean that the welfare state was unimportant to women, but rather, that the specific demands of women were probably less significant in bringing about redistributive policies in women's favour than were the general programs which shaped the economic climate which, in turn, made redistributive policies possible.

Much of the feminist critique of the relationship between women and the welfare state deals with the ways in which state programs have reinforced women's dependence and subordination (Kealey, 1979; Wilson, 1977; Hartmann, 1981). These have been important critiques for understanding how social policy might be more inclusive and also for bringing

about changes in the ways in which society, in general, thinks about women's rights. In demanding that state policy be more responsive to women's needs, feminist activism has been successful, occasionally, in bringing about more women-centred programs. The problem is that these types of programs often do conflict with what is perceived as rational within the system itself. As a result, when economic circumstances change, the indulgence of the state in meeting the needs of 'special interest groups' is more easily challenged. The kinds of arguments feminists successfully had used to bring about expanded programs became less effective as the ideological logic of the market as the best regulator of all needs, including social ones, has come to dominate social discourse.

The dramatic changes associated with economic restructuring and the consequent attacks on the welfare state have necessitated reactive political mobilization.' Generally this reaction among feminist groups has focused on understanding the impacts of the policy changes on women and how change will affect either the way women relate to the state as providers or recipients of social welfare or how well the state protects individual group rights.⁶

In this chapter, I argue that social welfare relies as significantly on economic policy which affects the way the market works, including government monetary and fiscal policy, budgets, taxation, trading relationships, and development policy, as it does on those state programs more normally associated with feminist actions directed towards redistributive policies. This does not mean that the struggle over women's rights and specific programs has been irrelevant or misguided or even that the effort to preserve what exists should be abandoned.' But it does mean that the public policy affecting all disadvantaged groups goes far beyond the implications of specific social programs, labour market policies, and the legal status of these groups. Feminists certainly have recognized this, but there is a distinction to be made here between a feminist *analysis* of the constraints of modern society which have been constructed by capitalist economics, and feminist action which has tended to pursue changes in social, rather than economic institutions. Feminist literature abounds with the knowledge of the structural nature of inequality, but the day-to-day feminist activity and confrontation with the state has tended to focus pragmatically on remedying specific injustices. Less clear is how to develop a strategy for dealing with the inter-relatedness of social programs and regressive economic policies and to more specifically focus action on the institutions and ideologies which are shaping the ways the welfare state operates.

My discussion will focus on the ways in which social changes are being shaped by the expansion of international capital through 'globalization.' These economic changes are perceived by those advancing the dismantling of the welfare state as both inevitable and desirable and are related to their notion of what is an appropriate role for the state. The term 'vampire capitalism' fits this activity because all the arguments used to describe the 'inevitability of the market as the main regulator of social life focuses on the necessity, in order to maintain corporate health, to perpetuate activities which are life-draining activities for the welfare state. The intention here is to not only discuss the logic of 'vampire capitalism,' but also to show the fallacies in the financial arguments which maintain that social welfare can no longer be sustained. This chapter will end with a discussion of the ways feminists might proceed to change what is often presented as inevitable.

The Terms: Globalization and Restructuring

The idea that the globe is a small place where people are increasingly interdependent first captured the public imagination with Marshall McLuhan's concept of the 'global village.' The village metaphor no longer fits, particularly because the driving force behind the space contraction is the antithesis of the village dynamic, but the implications of a compression of both space and economic interests has become central to public policy decisions: 'globalization' is the justification for a revolution in the economic and social policies of the welfare state. It refers to the dramatic increase both in the mobility of capital and in the international organization of production and distribution. Related to economic 'globalization' are cultural and ideological changes which support the spread of global economic systems. The values entrenched by globalization and their conflict with those values feminists have identified as essential for a just society are what is at stake in the defence of the welfare state.

'Restructuring' is the act of implementing the values of globalization within a nation's economic, social, and political systems.⁹ Both globalization and restructuring are terms which imply a kind of inevitability to the policy changes which are occurring, changes beyond the control of people. In this sense restructuring appears apolitical and outside the purview of social analyses dealing with gender, class, and racial issues. While economic change has been a consistent feature of all modern industrial societies, normally, in the past, the conditions ushered in by

economic depressions or recessions have been criticized and seen as temporary, at best. But with restructuring, the implications are distinct: unemployment, greater inequalities, and the contraction of social programs are not part of a temporary phase which will disappear with the end of a specific economic crisis. Rather, the changes which are being made to economic, social, and political systems are more fundamental and are considered and stated by the political and economic elites to be normal features of globalization. This is the critical difference between economic change now and economic change in other eras. However disruptive and unhappy the consequences of economic restructuring in the past, the elites always held forth the promise of a better life for the masses, in the long run. This progressive idea of economic change is no longer the justification for restructuring. The promise, rather, is a harmonization of social and economic life so that no nation will be disadvantaged because its corporate sector cannot compete internationally. A consistent theme of the corporate sector, that the economy can no longer support expensive social programs, is directly linked to the downward spiralling of social welfare through the harmonization process.

Free trade is the central supporting apparatus of globalization. In order to achieve the objective of creating a single market worldwide, international corporations consider essential the need to establish conditions so that they are free to produce and distribute goods and services without interference from governments throughout the world.¹⁰ This ultimate objective is a long way from being fully realized, but the recent free trade agreements such as the Canada-U.S. Free Trade Agreement (FTA), the North American Free Trade Agreement (NAFTA), and the General Agreement on Tariffs and Trade (GATT) have made major advances towards this end." Their main stated purpose is to eliminate practices within countries that constitute barriers to trade. Some people may be inclined to feel that this is reasonable and sensible because their notion of what constitutes barriers to trade are outright prohibitions against imports or exports or high tariffs designed to keep trade from occurring. But these trade agreements are much more than simply agreements about tariffs and import quotas because they involve the regulation of economic and social behaviour which goes far beyond trading relationships.

Within these trading agreements, the concept of trade has been expanded beyond the notion of production of a good or service in one country for sale in another. Rather, the concept of free trade now involves institutions and rules which are designed to facilitate capital

mobility as well. A distinction between the two types of international economic integration is sometimes made, with the spread of market linkages through greater trade flows referred to as *shallow integration*, and the type of integration associated with foreign direct investment and the internationalization of production referred to as *deep integration* (United Nations, 1994). The deep integration which is fostered through the liberalization of investment is accomplished through a conditioning framework which has been set up to harmonize the economic and social structures of countries.¹³ This homogenization is accomplished partly through the direct dictates of the trade agreements themselves which very specifically restrict the ways in which the state can construct its economic and social policies. Related to these requirements are the new competitive pressures which are created by the deep integration of economies on a global scale, and it is these pressures, coupled with ideological force, which are the most effective in reducing the scope of the welfare state.

The Justification for Government Retreat

During the initial years of welfare state constriction in the mid-1980s, Canada appeared to be approaching this process of change in a markedly different way from that which was done in England and the United States. To many analysts this difference was characterized by the absence of the anti-welfare state rhetoric so characteristic of the Reagan and Thatcher era (Lightman and Irving, 1991; Evans, 1994). In some sense the conservative forces in Canada seemed not to be so brutal as elsewhere, but were merely responding to the international pressures in such a way that the welfare state appeared to be 'restructuring,' rather than dismantling. To some commentators this indicated that there was a resilience in the welfare state which created a certain imperviousness to attempts by various governments to dismantle its main features (Mishra, 1990; Myles, 1988). In particular, the business elites, at least for a time, did not rail against the largess of the state, preferring, instead, to indicate their support for social programs and generally arguing not for their elimination, but for economic policies which would strengthen the capitalist class so that the programs could be assured funding in the future.¹⁵

This qualified support for the welfare state by the corporate sector was politically pragmatic and in hindsight can be understood not to have been rooted in a social welfare ideology. It appears the Canadian corpo-

rate sector understood that careful planning over a period of time was necessary in order to shape the political climate to tolerate the dismantling of the welfare state.¹⁶ People in Canada have been strongly supportive of the country's social programs and governments were particularly attuned to the political danger which could result from changes to these programs.¹¹ To overcome this obstacle, a conditioning framework needed to be established so that the withdrawal of the state from performing functions people had come to expect could be seen as logical and inevitable. The economic logic for deconstructing the welfare state had to become part of the subconscious way people understood the working of the economic system in order to be able to erase the public's attachment to 'expensive' social programs. Ultimately, the argument that 'we can't afford' these programs had to become part of the culture of the nation.

Two main approaches were used to saturate the public with the notion that the welfare state could not continue to exist in the form people liked. One line of argument related to the logic of international trade as a result of the increased competitiveness associated with the free trade agreements. The other was to whip up concern about public finances by focusing on the 'tax wall,' the threat of inflation, the problems of maintaining a deficit, and the huge size of the public debt.

Competition

If Canadian businesses were to continue to compete in international arenas, it was argued that they could not be disadvantaged because they paid more taxes or were forced to abide by stricter equity, labour, and environmental laws than their rivals in poorer countries. While this was not a new argument from the corporate sector, the increased mobility afforded to these corporations with the trade agreements lent more weight to their complaints. They simply threatened to leave Canada to locate in countries which had more attractive business climates if their demands for changes were not met. A more attractive business climate would be one with low taxes and few restrictions on a firm's activities which affected labour and the environment.

The development of the social welfare state, particularly in the shape it took after the Second World War, required the cooperation of the corporate sector. But with trade liberalization the logic through which the state extracted corporate cooperation was loosened. For a while economic policies which focused on full employment, high wages, and social support systems made sense to the corporate community as a group.⁸ Individu-

ally, each business knew that it could make higher profits than its competitors if it could reduce costs by paying low wages to its workers and avoiding taxes. But, collectively, the corporate world understood that if selling products or services meant a reliance on people within the nation to buy them, it would be important that these people had the money to do so. The welfare of the people within a nation was intrinsically linked to the ability of mass production to find a mass of customers to purchase the things produced. Individually, corporations could do well by high rates of unemployment because then workers would be competing for jobs, and wages would fall, but this low-wage strategy could not work for all producers simultaneously if they wanted to sell all they produced. Individually, firms would have higher profits if they did not pay taxes, but collectively they would suffer if the state could not afford an infrastructure to support business activities.

With the uncoupling of the production of a nation from its markets, as is the intention with trade liberalization, the logic of maintaining a high standard of living within a nation begins to lose its saliency with the corporate sector. The growth in the significance of export markets means that higher rates of unemployment and lower wages can be tolerated, since the people within the country will not be required to buy all that is produced within the country in order for the corporate sector to maintain itself. Unemployment and low wages can become a permanent feature of an export-led economy.¹⁹ From the perspective of corporations, not having to rely on selling what they produced within the nation is ideal because costs can be lowered significantly without danger of creating economic conditions which would negatively affect their ability to sell, as would be the case in a more closed economic system. Internationally the corporations can become 'more competitive.'²⁰

Public Finances¹

The desire of the corporate sector to pay little, or no, taxes comes into direct conflict with the problem of how to provide for social welfare. The corporate sector's solution to this problem is to reduce the size of government and to shift as much as possible of the services government provides to the private sector. As noted above, people's attraction to government services made this politically difficult, particularly when the elimination of some service or part of a service became part of public discussion. The easier way to accomplish the dismantling of the welfare state would be by creating a perception among the public that the kinds of government Canadians liked was no longer affordable and to shift

the debate onto budgetary issues, while at the same time maintaining that services were being protected.

The campaign to convince Canadians that the government was hopelessly in debt because of overspending on social programs began soon after the Mulroney government's re-election in 1988, partly as a deflection of public attention from the obvious economic downturn which was occurring as a result of free trade. Public advertising on television showed the Loonie divided up to indicate how government spent money, with the intention of riveting the public's attention on the fact that spending on social programs was a huge portion of total government expenditure. This is true, but then this is precisely what government is supposed to do, and even if government shrinks the proportion spent on social programs would still be large.

The intention over the next few years was to establish the idea firmly that government deficits were out of control and that the debt was escalating to such dangerous heights that Canada was in danger of bankruptcy. This was skilfully managed by the government with the help from the corporate sector and the corporate-controlled media. A debt certainly existed, but the impression created that excessive spending on redistributive programs was its cause was clearly false. Also false is the conviction that the country is in a desperate state because of the debt crisis. But those supporting conservative economic policies in successive governments have been successful in convincing almost *everyone* that the debt crisis requires that Canadians begin to live within our means, a requirement that would mean either higher taxes or cutting government programs.

The problem now is that virtually every political party and government throughout the country seems to agree that the debt and the deficit issues are the main parameters which should shape all government policy. As one critic of this deficit hysteria notes, while *everyone* agrees that Canada has a debt crisis, it is possible that *everyone* can be mistaken. This critic then reminds us that there was a time when *everyone* knew the earth was flat, when *everyone* thought witches should be burned, and when *everyone* knew sunbathing was healthy (Rosenbiuth, 1995).

For a while those on the progressive side of the political spectrum were united in recognizing that the size of the debt and the deficit had become a handy justification, by right-wing governments, for cutting spending on socially useful programs. As long as this type of action was confined to conservative political governments, the left was fairly uniform in its criticism of program-slashing behaviour. Since the election of several NDP provincial governments in Canada, this left(ish) unity on

economic policy has dissipated - particularly as these governments have tended, almost uniformly, to adopt the same language and surprisingly similar policies as their politically conservative rivals. As a result, there appears to be an inevitability to the economic arguments of the right, producing consensus on the need to eliminate government deficits and to reduce all governments' debt as the first and most important economic problems to be addressed.²²

Because of the capitulation of the left to the economic arguments of the right, the deficit is now the problem - the political problem, that is. It is not the major economic problem facing this country, and the policies which have been followed to eliminate the deficit and reduce the debt are precisely the ones which helped to create the problem in the first place and will compound it in the future.

The identification of the debt as more of a political problem than an economic one is not to dismiss its significance. The political nature of highlighting the deficit and the debt as key economic issues is tied up with the entire perspective of conservative economic thinking: it reinforces the notion that the disappointing performance of the Canadian economy is not a result of the failure of conservative economic policies, which have been guiding this country for over a decade now, but rather arises because these policies were not stringent enough. Despite their overt political demise, in the political battle to win the minds and souls of the Canadian electorate the Conservatives appear to have won. People, in general, do seem to believe that taxes are bad (because presumably individuals receive less from government than they pay to it), that any activity undertaken by government will be inefficient, that the market is the best and most efficient guide of economic activity, that government spending is out of control and therefore evil, and that government deficits cause economic problems.

An understanding of the cause of the 'debt crisis' is critical for women's ability to refute the arguments used to reduce spending on those areas which are crucial for women and to refuse to increase taxes on the wealthy.²³ As long as social spending is targetted as the problem, and *everyone* believes taxes cannot be raised, the arguments of neo-conservative economics will appear to make sense.

The Deficit and the Debt

The federal government has a large deficit and spends about a third of its revenues, amounting to over \$48 billion in 1995-96, just to pay inter-

est payments on the money it owes for past borrowings. The deficit (the excess of expenditures over revenues each year) exists primarily because of the need to pay interest payments on the debt. Without interest payments on the debt (the sum of past deficits) there would be a substantial surplus in government accounts. This is because in all but two years since 1988 the government has taken in more money in taxes and other revenues than it has spent on all government programs and administration. In some years the operating surplus has been over \$10 billion, but over the period between 1988 and 1995 the government has received a total of \$31.1 billion in revenues above what was necessary for expenses on social programs, other programs (like defence), and government administration (Bank of Canada, 1995-6).

Obviously, at some point, the government spent more on programs and administration than it received, otherwise a deficit would not have arisen. This it did in the early 1980s, but it was neither irresponsible action nor evidence of spending beyond the country's means, as is often the criticism leveled when governments generate a deficit. The rise in government deficits in the 1980s was a response to a severe recession, one which affected Canada more than any other developed country.²⁴ During this period real output declined and unemployment rates soared to 12 per cent and remained high, averaging over 10 per cent for most of the time since then. The decline in output and employment was the result of dramatic decreases in capital spending which then resulted in large increases in private savings. The cyclically sensitive components of program spending (unemployment insurance and social assistance payments) increased government expenditures more dramatically than revenues during this period. The critics of government spending would maintain that the problem with the debt arose because the government did not cut back spending enough during this period of high unemployment. But excess government spending then was not really the problem, and without it things would have been worse. The low capital spending during this period and excessive savings were mainly responsible for the decline in employment and production levels. Under these circumstances, government counter-cyclical measures in the form of unemployment benefits and welfare payments prevented the economy from experiencing an even more severe recession.

Certainly a debt was being created, but it would not have escalated and become the problem it has become were it not for the excessively tight monetary policy pursued at this time. The government's obsession with fighting inflation through high interest rates meant that each year

the government paid more in interest payments for the money it had borrowed in the past. In addition to initiating chronic deficits, the high interest rates damaged economic performance: the recession of the early 1980s was a result of this problem. By 1981 treasury bill rates were almost 18 per cent and long-term government bonds yielded 15 per cent, making Canada's interest rates among the highest among all developed countries, a distinction which has been retained since then.

This high interest rate policy had long-term economic consequences. It depressed the recovery in private capital spending, since borrowing was much more costly. This meant that unemployment levels remained high, and since income levels were depressed so were government revenues. In addition to affecting government revenues, the amounts paid in interest on the debt increased yearly deficits.

Another consequence which has had long-term political implications was the increased attractiveness of Canadian bonds to foreign investors because of their extraordinarily high yield. Less than 3 per cent of Canada's government debt was foreign held in 1970. And although this had increased to about 10 per cent by 1980 as a result of the inflation-fighting policies of the late 1970s, this was still moderate compared with the proportion of the debt held outside the country now, which stands at about 25 per cent (Bank of Canada, 1995). The increased foreign debt holdings further accentuates the need to keep interest rates high as foreign bondholders' opinions of appropriate Canadian economic policy have increasing significance with policy makers.

Other problems affecting government revenues and therefore compounding the debt problem were generated by additional misguided policies towards the end of the 1980s. Three of these were most significant. First, reduced taxes on the corporate sector directly affected government revenues. Second, the large rise in the value of the Canadian dollar in the late 1980s made Canadian items too costly on foreign markets and thereby considerably reduced economic activity in those industries which rely on the export market. Third, the introduction of the Free Trade Agreement with the United States brought about the beginnings of large capital drains from Canada. The increase in the value of the dollar and the results of free trade negatively affected both government revenues from corporate and individual taxes as well as the level of employment.

Throughout all of this Canada has persisted with a restrictive monetary policy. Even though the rate of inflation fell from over 11 per cent in the early 1980s to about 4.5 per cent when the Conservative government took

power in 1984, inflation fighting through high interest rates remained a crucial part of economic policy. Even today, during a deflationary period, the threat of inflation guides the Bank of Canada's interest rate policy. Real inflation does not exist. Still, the present governor of the Bank of Canada, Gordon G. Thiessen, has explained that the bank could not hold interest rates down because this would shake confidence in the belief that 'we will keep inflation low into the future. We cannot offset the risk premiums demanded by savers and investors because of their concerns about future fiscal and political developments.' Thiessen's strategy (remarkably similar to that of his predecessor) is that 'over time, by maintaining confidence in monetary policy, we seek to provide a stable environment in which financial markets can operate,' (Thiessen, 1994: 11). Under John Crow the Bank of Canada's goal was zero inflation. Now that this has been achieved even zero inflation appears to be too high.

Canada has now had ten years of remarkably stable price levels. The strategy so ardently followed by the Bank of Canada and successive governments, despite party changes, simply has not worked.²⁶ Monetary policy designed solely around price stability does not automatically bring about confidence in economic performance. If anything, the results have been the opposite of those promised by the zero inflation strategy and some markets, most notably the labour and housing markets, are in a chronic state of instability.²⁷ In the name of stability, the Bank of Canada has created a very volatile economy: any increase in economic activity (particularly decreases in unemployment rates) brings quick reaction from the central bank to trigger the mechanisms (higher interest rates) which generate further instability.

The politics of solving a non-existent problem (inflation) may seem smart, but the economic price is a high one. The pain caused by the persistently high interest rate policy, in the form of high rates of unemployment, lower government revenues, income inequality, and real human misery, has not generated the stable state so long touted as the necessary route to inspire business confidence. Any politically convenient scapegoat, such as uncertainty about Quebec or even the threat that programs like medicare may be maintained, can be found at any particular moment to explain lack of confidence in the Canadian economy and to justify still further restrictive economic policy.²⁸ But whatever is said about economic confidence and various routes towards inspiration, the most consistent way to generate a stable economy is through both creating among the population the expectation that their incomes will be maintained in the future and creating among producers the expectation

that they will be able to sell what they have produced and that expanding production will result in even higher sales in the future. These two expectations are related, and the disassociation of one from the other inevitably creates lower expectations for both. If we want a stable economy, we must have stable institutional structures, particularly with regard to employment and income security. In the past, the stability sought through monetary policy was really generated by the institutions which have been swept away in the marketization process. Restrictive monetary policy is not creating stability, but it does have a function, and that function is to reduce the scope of the welfare state by challenging income security. Reducing income security is, in the words of one critic, the 'epicentre of the marketisation process' (Hutton, 1994: 21).

The main point to be made about the deficit is that it has not arisen from reckless government spending. The deficit exists because of an ideologically driven, recklessly restrictive monetary policy which has created conditions resulting in both higher costs for government and reduced revenues. The cure, of reducing spending on counter-cyclical programs and maintaining high interest rates, which the present government seems to want to pursue and which does not differ from that of the policies of the previous ten years, cannot solve either the deficit problem or the economic morass experienced by most of the country. Attempts to control the federal deficit have failed because the very tools used to control it have a perverse effect on the economy. It undermines the revenues the government receives, and the result is greater deficits and a growth in the debt. Any cut in spending means someone's income is reduced or eliminated altogether. When that person is forced to spend less, someone else's income falls. Ultimately, everyone affected has less income and, as a consequence, pays less tax. The deficit problem cannot be solved unless the underlying economic weaknesses are eliminated. This is where the policy procedures bog down. Economic orthodoxy suggests that just letting the market take its course will ultimately right a dismal situation. Perhaps some external event could occur to stimulate economic activity, but waiting for this to happen is not a wise strategy. An active economic strategy to ensure full employment and to meet other social and economic goals, as so often has been said, is needed.

The distinction now, between this and any other time in Canadian history; is that the ability for a government to act takes a great deal more political courage than it ever did. This is because the economic tools to discipline the market are not as readily available as they were in the

past, and the decision to reassert the right to use these tools requires a bold political step.

The most serious economic problem facing Canada is the inability to design policy necessary to foster an economic system which accommodates the specific conditions here. The results of two different, although related, international trends have restricted whatever economic autonomy Canadian governments could use to this end. One is the extraordinarily artificial economic results which occur from the wildly speculative nature of international finance. The other is the artificial economic conditions imposed by international free trade agreements. Pressure from both have generated government policy and institutional responses which have little relationship to those which are needed to meet Canadian conditions.

The Pressure of Finance Speculation

The speculative nature of international financial markets has uncoupled the relationship between a nation's economic viability and its attractiveness as an international investment risk. International financial markets are not about investment: only a small proportion of international currency exchanges actually pays for real goods or services. Most of the currency trading is betting.³⁰ Anything (rumour, greed, sentiment, prejudice, manipulation) can be the driving force determining whether a country is in favour or not, but these speculative currents have little to do with how healthy an economy is. The speculation is about the future, and if some government does not behave according to the way international traders want it to behave, it will have no future. Governments are increasingly guided by the actions of offshore actors who have little, or no, knowledge of the actual circumstances of the countries they bet on: economic and political (at best) orthodoxy will guide their actions.³¹ The new technologies which allow instantaneous responses to decisions about Canada taken in the United States, Europe, or Asia means greater and greater volumes of money can be brought to bear on a government to behave the way that international finance wants it to. The sheer volume of the money traded daily gives these speculators political clout: an estimated \$1 trillion was traded daily on international exchange markets in the early 1990s, or almost forty times the amount of money which arises daily from international trade (Helleiner, 1996). The governor of the Bank of Canada maintains that 'the basic monetary and economic foundations for a solid and sustained growth in the economy are in

place,' (Thiessen, 1994: 11), but this does not seem to matter much to international financial markets which demand very specific kinds of economic behaviour from this country.

Recognizing the need to regulate international finance is not confined to the mumbling fringe of a dissatisfied left. Even the International Monetary Fund (IMF), not widely known for its hostility to international finance, cautiously counsels a reassessment of the uncontrolled actions of the speculators: 'The increasing complexity and volume of contemporary financial intermediation, its international scope, the speed with which disturbances spread, and the breakdown of geographic and functional barriers that potentially insulate markets, are now leading supervisory authorities ... to reassess the adequacy of prudential arrangements both nationally and internationally' (IMF, 1989: 12). The voices for an independent financial system are certainly subdued in Canada, and while a few recognize the necessity for action to bring this about this has yet to become a political issue.

Our system is more vulnerable to manipulation than that of any other industrialized country, and this should be public knowledge. Even a figure as unsympathetic to financial regulation as Gordon G. Thiessen recognizes that Canada is peculiarly placed when he observes that 'when international markets take on a negative tone, there is a much more critical assessment of Canadian events' (Thiessen, 1994: 11). Other commentators would go much farther and target international financial pressure as the main economic problem Canada faces.³² As long as it is believed that the increased power of financial speculation is mainly a result of technological changes which permit rapid transfers of massive amounts of money, it would appear that the anarchy in this highly volatile sector will continue. But countries like Canada have made conscious political decisions, as a result of lobbying from the corporate sector, which have supported and encouraged international financial speculation. Technological change has facilitated the cross-border exchange of financial assets, but without state actions such as the withdrawal of currency controls and the deregulation of banking and other financial institutions the technological changes alone could not have produced these changes in financial power over governments.

Why It Matters for Women

The new power given to the corporate sector - through trade agreements and unregulated financial speculation - places nations in about

the same stage of control over capital as they were at the dawn of the industrial revolution. Then the power of capital grew faster than the power of nation states. Yet, over time, institutions were developed, as a result of pressure from people, to humanize the most brutal aspects of this phase of economic 'restructuring.'

There was a long period between the establishment of forces to attempt to control the worst aspects of the power of the market and the establishment of institutions which we have come to label as the welfare state. And, however critical feminists have been of the welfare state, it has been the one instrument through which women have been able to exercise their equality rights as citizens. It is through the redistributive aspects of the welfare state that women have been able to achieve the policies necessary so that their needs can be met and so that conditions could be created for women's equal participation in public life.

However, this piecemeal approach, which attempts to control the worst aspects of the power of the market, took centuries. It is a much too long-term approach in the face of international finance, WTO, the FTA, and NAFTA. People can fatalistically accept the framework which says that nothing can be done and that we must accept the fact that economic policy will be removed from the democratic process. If we do, the best to be hoped for is a policy approach which simply organizes all institutions to service the corporate sector so that they themselves can be more aggressive internationally: and then hope it works. What is more likely to occur under these circumstances is the full playing out of the logic of vampire capital. If we submit to international capital, our natural and human resources will be mercilessly exploited, eventually depleted, and then capital will simply move on. In this process, all that women have worked for to establish the recognition that other values, other than those of the market mechanism are critical ones for social life, will become simply utopian notions of the past - much in the way we view the attempts at establishing egalitarian communes in the nineteenth century. These efforts will be a colourful part of our feminist history.

There are alternatives to submission and the reduction of state functions to minimalist activities. Nations and people are not paralyzed from acting in response to the increased strength of the power of the corporate private sector. But it is important that this action occur soon, before all the institutions have changed to accommodate the new international order. In what follows I will discuss some ways in which the activism of feminism can proceed in the face of what appears to be an inevitable dismantling of the welfare state. This discussion of alternatives is meant not

to be definitive, but to raise, in the context of the march towards 'vampire capitalism,' the approaches which will be necessary to reinstate feminist values in political debates about economic and social structures.³³

Alternatives

In showing how the ideology of the right has reshaped international and domestic institutions in ways which condition our behaviour, we run the risk of contributing to its assertion that the changes which are occurring are inevitable and that 'there is no alternative.' The notion that the globalization process is incompatible with strong systems of social welfare, group rights, and states' sovereignty is one issue on which there often is not much disagreement between the left and the right.³⁴ In the case of the right, the argument about the obsolescence of the welfare state serves its purpose of ensuring that the obligations and constraints demanded by national governments are replaced by international economic rights.³⁵ The analysis of the left, on the other hand, has focused on the incompatibility between social welfare and democracy and trade liberalization in order to gain political support for public opposition to the globalization process. As usual, for the political groups in the weaker position, there is a fine balance between messages of despair and those which inspire action. An analysis which shows the dangers in the new conditions will lead to despair if the alternatives to it are not sufficiently compelling and if there is nothing concrete which can be suggested for action in the normal course of daily lives. Changing the world, or at least the trajectory which is now apparent, is an important goal, but most people will be unable to respond to this long-term initiative if there is not some relationship between it and their immediate political concerns. I see feminists well positioned to provide leadership on both the perspective for change at the international level and for political action in concrete immediate terms.

At the National Level

It is critical that feminists maintain their actions which focus on supporting social welfare, equitable distribution systems, and making the state more democratic. The overwhelming nature of the internationalization process has made this a reactive, rather than a proactive, position and as such it is often the target of criticism of the feminist movement by both its supporters and detractors.⁶ But, as is frequently noted, there is no consensus in Canada about the vision of the future, and public support

for some of the central institutions of the social system continues to be strong; so although resisting the dismantling of social programs is 'reactive,' it nonetheless can be successful. While the new international structures supporting trade liberalization give the corporate sector a great deal of leverage over public policy within nations, there are sufficiently different possible courses of action that the uniform race to the bottom can be resisted with credibility. As Ramesh Mishra (1990) points out, the substantial national differences in social policies in countries within the European Community, despite free trade and the free movement of capital, indicate that the convergence of social welfare policy is not inevitable. The decisions taken in Canada, for example, to reduce the number of women receiving Unemployment Insurance benefits, to reduce drastically federal funding for health and education, and to ignore promises to provide a national child care scheme are political decisions based on ideological and cultural values which can be contested on moral and democratic bases.

The power of nation states, although constrained, is still strong, and the government is the primary avenue people within a nation have for addressing their interests at the international level. For this reason it is important that feminists work to resist the political fragmentation which is occurring in Canada as each region demands more and more autonomy over social and economic programs. While the Canadian government continues to be a champion of trade liberalization and, in some circumstances, is far more ardent than even the United States in pursuing new free trade deals, this does not mean that sometime in the future Canada could not take a different lead in shaping international institutions. For this we will need not only a strong federal government, but also one which is truly democratic and represents, at the international level, the will of the nation. This representation has not occurred with trade liberalization issues: people within Canada repeatedly have voiced their opposition to free trade, yet the government continues to support the interests of the corporate sector. The response of government certainly raises the contradiction of calling for national sovereignty when the national government does not respond to popular sovereignty.

At the International Level

At the international level three main interrelated initiatives should be the focus for action of progressive groups.

First, there is an urgent need to begin what will be a long-term project

to counter the ideological hegemony of the right with regard to the efficiency of the self-regulating market. This could begin with analysis which shows the economic inefficiencies and real human misery which follows from imposing a uniform economic system around the world. The call would be for an ability to recognize economic pluralism in international trade agreements. What this means is allowing for 'a differentiation in economic systems in order to respond to distinct problems faced by countries. The need for a differentiation in economic and social institutions can result from a variety of factors, related to, for example, the ways the country developed historically, its cultural objectives, and its geographic constraints. The attempt of international trade agreements to impose uniform economic and social policy worldwide creates impossible positions for people in countries which have vastly different problems and resources, in addition to different values and goals. We in Canada have devised an economic and social system which is different from the United States because, in part, we have needed to accommodate the needs of few people living in a huge and often hostile geographic area. We are being forced to change many of these systems as a result of trade liberalization, and, however difficult it will be for many groups in this country, the problems arising from conformity are infinitely more serious for poor countries with very different types of social and economic organizations.

Without economic pluralism, any attempts to enforce labour and environmental standards internationally will either fail, or if truly enforced, will unduly punish some of the poorest places on earth. In the process of demanding economic uniformity, the corporate community has taken away from poor countries any innovative ways in which they might be able to find unique solutions to their problems. If poor countries must both abide by the employment and environmental standards of wealthy countries ^{and} maintain the same economic system without any ways of circumventing the impossible through collective, public policies, they most certainly will be made even poorer.

Feminists' recognition of difference among women and the concomitant need for social policy to recognize the different needs for different circumstances is an important starting point for an analysis which recognizes the need for pluralism in social and economic systems. Any attempt to change the international rules seems an Amazonian task, particularly because the power of the corporate sector has been so enhanced by the changes in the trading rules so far. However, the very real likelihood of failure of these policies to meet the needs of most of

the people in the world is going to give new approaches a chance to flourish. A project which begins to analyse the ways in which international institutions could be organized to allow for economic and social welfare pluralism would be well positioned to be accepted when the promises of the existing trade regimes are not fulfilled.

Second, it is important to initiate action to demand the creation of international institutions to control capital. The current unwillingness or inability of nation states to assert the kind of control over capital which is necessary to protect employment levels, the environment, and conditions of life reflects the power which corporations have to intimidate or otherwise gain the cooperation of national governments. With the new trading arrangements, new international institutions of governance are being created, but these are market-creating institutions, rather than a replication of market-controlling institutions of the nation state. The current attempt to initiate standards, such as the labour and environmental side agreements in NAFTA or the social charters such as exist³⁷ in Europe, tend to operate by focusing on each nation's responsibility. As I noted above, this disadvantages the poorest nations in the international economy who have little real power to bring about progressive changes under the free-market system. Rather, the focus for discipline must be the international corporation. Their very rationale for capital mobility is to take advantage of the economic climate in countries which are either politically corrupt or too weak to protect their people or their environments. International institutions which disciplined corporations, rather than countries, would begin to replicate some of the work of national institutions which was effective when nations had more power over corporate behaviour.

In addition to designing international institutions to control capital, there is also a need to imitate the redistributive functions of the nation state at the international level. As long as the enormous disparities which exist worldwide continue, the corporate sector will be able to blackmail nations into submitting to their demands for a 'favourable' climate for business. This redistributive function requires an ability for an international governing institution to raise money and to decide where money should go. The recent interest in developing a tax on international financial speculation (the Tobin tax) in order to both discourage excessive speculation and to raise money could be the starting point for new international institutions to control and redistribute capital.

Finally, it is essential for women in Canada to work with other people in nations which also are negatively affected by the rule of international

corporations. In this, feminists throughout the world are well positioned to lead discussions for a future which would make a global economy viable socially as well as economically: few popular sector groups have the kinds of international connections which have been made by feminists through huge international conferences like those in Nairobi and Beijing. Women have begun to make important innovative use of U.N. conventions to pressure nations on economic and social reform. For example, women have pursued poverty issues as human rights violations. This is an approach which, if developed further, squarely confronts the economic demands of capital mobility.

While the opposition of women in Canada to the initial Free Trade Agreement was not successful in getting the support of women in the United States, the links did begin to develop between the women there and in Mexico during the political debates associated with NAFTA.^{3s} As the trajectory of trade liberalization continues to unfold, the experiences of women in different parts of the world will be distinct, but the ability to learn from each other and to explore ideas for collective action could lead to significant political initiatives for change.

Appendix

Deconstructing Social Welfare: The Federal Government Chronology, 1985-1995¹

The idea of a 'welfare state' went through a metamorphosis during the bleak years of the Mulroney government. The progressive notion that the state should be responsible for how well its citizens fare has degenerated to a sense that 'welfare' means government handouts to the unfortunate or the lazy. With depressing uniformity governments in Canada have rejected a sense that collectively providing services is good for everybody and that social institutions are necessary so that people are in a position to care for themselves. Providing universal medical care, education, pensions, inexpensive transportation and communication systems, affordable housing, work at reasonable wages, and adequate child care are the things that make a decent life possible and keep a large proportion of people out of poverty. While none of these programs occurred in a way and to the extent that fully recognized either the contribution or.

This chronology was constructed with the help of Judy Morrison and Darcian Smith.

the needs of women or disadvantaged minorities, the idea that they should exist, at least, was the notion of the welfare state.

During the past ten years even the programs which seemed secure because of their popularity have been either eliminated or eroded so badly that they are in danger of withering away. In some cases some debate has taken place before the government initiated a change. This was most notable on issues leading to free trade and changes in the patent monopolies for drug companies. More common was a steady erosion of programs and institutions which was achieved by introducing a thousand little budget cuts, tax changes, and hard-to-explain technical manipulations to existing legislation. These small changes were not ignored by popular sector groups, but each change in itself was not significant enough to generate either media interest or heated public debate. Altogether the changes have been significant and are related to an ideological shift to the right which has swept the entire continent.

The following is a list of the changes the federal government has made which has made the tax system more favourable to the wealthy, cut government programs and employment, and increased the power of the private sector by privatizing social and economic activities. The first term of the Mulroney government began the process of deconstructing Canada's social welfare systems, a process which was accelerated dramatically after their 1988 re-election. The election of a Liberal government in 1993, despite its election promises, did not change the downward trajectory. The 1995 budget indicated the determination of the federal government to accelerate the move towards minimalist government. The 1996 budget is not included because there were no new cuts to programs, since the ones which were to occur during the year had been announced in the 1995 budget.

1985

Budget Cuts

- Canada Mortgage and Housing Corporation (CMHC) budget reduced by \$26 million
- Steady cut of funding for affordable housing (1980-1984 government spent 1.7 per cent of the budget on housing; after 1984, 1.4 per cent on average)
- 15,000 civil service jobs to be cut by 1990
- Initiatives to limit public sector pensions to those comparable to the private sector announced

- Official Development Assistance reduced by \$50 million
- Glace Bay and Port Hawkesbury heavy water plants closed

Tax Changes

- Partial deindexing of family allowance (indexing for inflation established by the average rate of inflation minus 3 per cent)
- Partial deindexing of Old Age Security announced (resisted by seniors and not accomplished until 1989)
- Capital gains exemption of \$500,000 to be phased in over 6 years with \$20,000 exemption in 1985, \$50,000 in 1986, and \$100,000 additional each subsequent year until 1990 (amended in 1988 to limit the exemption levels to \$100,000)
- Federal sales tax general increase of 1 per cent effective 1 January 1986, plus expanded list of taxable items to include candy and confectionery, soft drinks, pet foods, certain goods related to energy efficiency, beauty, and health goods
- RRSP contribution limits to be increased each year from 1986 to 1990

Privatization

Nanisivik Mines

Northern Transportation Company

- Privatization plans announced for the Canadian Development Corporation (CDC) plus thirteen other entities

1986

Budget Cuts

- Established Programs Financing limited to GNP minus 2 per cent (2 per cent cut)
- \$500 million reduction in non-statutory spending
- First 5,000 civil service jobs eliminated (of 15,000 announced in 1985 budget)
- Canada's aid program reduced by \$1.6 billion over next 5 years

Reduced funding to:

Canada Mortgage and Housing Corporation
Canadian Broadcasting Corporation

CN Marine

Via Rail

Tax Changes

- Corporate tax rate reduction from 36 per cent to 33 per cent of taxable income by 1989 announced
- Increase in sales tax of 1 per cent for 1 April 1986
- Manufacturing companies' taxes to be reduced from 30 per cent to 26 per cent by 1989
- Tax rate for small business to fall from 15 per cent to 13 per cent
- Surtax of 3 per cent on all personal incomes and corporations
- Partial deindexation of personal tax exemptions, including child benefits (exemptions would be indexed only for the rate of inflation minus 3 per cent)

Privatization

Canada Development Corporation

Canadair

Canadian Arsenals

CN Route

de Havilland

Eldorado Nuclear

Northern Transportation Company

Pecheries Canada Incorporated

1987

- Changes to Drug Patent Act (Bill C-22) to increase monopoly power of drug companies and limit availability of generic drugs

Privatization

Fishery Products International

Northern Canada Power Commission (Yukon)

Post Office privatization:

- Parcels and registered mail pick-up moved to privately operated sub-post offices
- Cleaning and trucking contracted out

- Announced plans to close all 734 city and town post offices and stations
- Teleglobe Canada
Varsity Corporation

1988

Budget Cuts

- 300 rural post offices closed
- Federal cap on contribution to federal-provincial cost-sharing for programs under the Young Offenders Act
- \$300 million decrease in federal budget for 'non-statutory' items announced

Tax Changes

- Massive change in personal income tax structure by reducing ten tax brackets to three and substantially lowering tax rate for top brackets (the ten tax brackets had ranged from 6 per cent to 34 per cent; rates changed to 17 per cent, 27 per cent, and 29 per cent)
- Child care income tax expense deduction increased (from \$2,000 to \$4,000) and child care tax credit increased (to replace promised national child care program)

Privatization

Air Canada
CN Hotels
Northern Canada Power Commission (Northwest Territories)
Northwestel Incorporated
Terra Nova Telecommunications

1989

- Canada-U.S. Free Trade Agreement

Budget Cuts

- Rental rehabilitation assistance program (used by many municipal

- non-profit housing groups to maintain low-cost rental housing and rooming houses) eliminated; funding for cooperative housing cut
- \$4 billion promised to provinces for child care to be dropped (would have provided 200,000 new child care spaces over 7 years)
- Regional development programs cut by \$400 million per year for 4 years
- Foreign aid cut by \$400 million per year for 4 years
- Established Programs Financing cuts of 1 per cent; additional \$2 billion to be cut during following 3 years
- Grants to advocacy groups cut by \$10 million, including:
 - \$2 million cut from women's groups
 - \$3 million cut from Native groups
 - \$2 million cut from visible minority groups
- Cuts in environmental programs, including:
 - National Conservation and Alternative Energy Initiative phased out in 1990-91
 - 12 regional conservation and renewable energy offices closed (saving \$10 million in 1989-90)
- Cuts to health and safety training: \$10 million cut annually from the Canadian Centre for Occupational Health and Safety (in an attempt to end all public funding to this body by 1992)
- Cuts in agriculture support, including:
 - Crop insurance system cut by \$90 million in 1989-90, then \$110 million in 1990-91
 - Railway branchline rehabilitation program to be cut by \$48 million and ended 1 year early
 - Interest subsidy on grain payments cut by \$27 million
 - Dairy special export program cut by \$7 million annually
 - End to subsidized farm loans
 - Skirt, milk powder programs cut by \$7 million
- Postal subsidy to Canadian publishers cut by \$10 million in 1989-90 and \$45 million in each subsequent year until it is eliminated
- Cuts to Via Rail of \$100 million each year for 5 years
- Cuts to CBC of \$20 million in first year and \$10 million in next 3 years, totaling \$50 million

Tax Changes

- Claw-back of family allowance and Old Age Security for recipients with annual incomes of more than \$50,000

- Goods and Services Tax of 7 per cent announced (to be effective 1991)
- Personal income tax surtax increase from 3 per cent to 5 per cent
- Increased sales taxes on gas, alcohol, tobacco, communications, and construction materials
- Large Corporation Tax of 0.175 per cent in corporate capital in excess of \$10 million (affected only 4 per cent of corporations)

Privatization

- Airports in Vancouver, Calgary, Edmonton, and Montreal to be privatized

Unemployment Insurance Changes

- Complete federal government withdrawal from funding arrangements (amounting to \$2.9 billion annually); future funding by employers and employees only
- \$800 million diverted from UI fund for retraining programs
- Changes to qualifying periods of work (from 10 to 14 weeks minimum work- depending on regional unemployment rates to 14 to 20 weeks in most cases)
- Minimum duration of benefits reduced to 17 weeks from 20 weeks, with a decrease in benefits (from 46-50 weeks to 35-50 weeks)
- Disqualifying period for 'voluntary job-leavers' extended and benefits reduced

1990

Budget Cuts

- Cuts in grants to advocacy groups of \$16 million, including a cut of \$1.6 million to Secretary of State Women's Programs
- Some 80 women's centres in Newfoundland, Nova Scotia, the Yukon, and British Columbia lost all operation funding
- 39 women's centres in Quebec lost federal core grants
- Four national women's organizations lost 100 per cent of their funding (including funding for three feminist periodicals)
- Funding to Native groups' programs cut, including: Secretary of State removal of core funding for all twelve First Nations newspapers; budgets of native radio and TV outlets severely reduced;

- Native communications programs cut by \$9.8 million
- Aboriginal languages funding in the northern territories cut by \$800,000
- Funds to 28 Native organizations cut, including core funds for Native friendship centres, women's groups, and other Native associations (totaling \$8 million)
- Social housing capped at \$90 million in 1990-91 and \$86 million in 1991-92, representing a 15 per cent decrease in spending
- Cap on Canada Assistance Plan (increases in funding to wealthiest provinces, that is, Ontario, Alberta, and British Columbia, limited to 5 per cent regardless of size in growth of population and numbers needing social assistance)
- Established Program Financing to be frozen between 1990 and 1995 (per capita amount thus reduced to smallest since EPF was first established in 1977)
- Open House Canada, a youth exchange program, funding reduced from \$9.8 million to \$3.3 million
- \$12.2 million cut from Health and Welfare grants and contribution program to citizens' groups
- Seniors Initiatives Program reduced by \$3.5 million
- Child Care Initiatives Program reduced by \$1.75 million

1991

Budget Cuts

- Court Challenges Program eliminated
- Canada Assistance Plan 5 per cent cap for Alberta, Ontario, and British Columbia, due to expire in 1991, extended 3 years
- Established Program Funding freeze, due to *expire in 1991, extended* another 3 years
- Canada Jobs Strategy cut by \$100 million
- Grants to popular sector groups cut by \$75 million in 1991 and \$125 million in 1992 (Native and Inuit programs exempted)
- Green Plan cut by 20 per cent
- Operating and salary budgets for all government departments frozen for 1991-92:
Any wage increases to be offset by lay-offs
In following 2 years, wages to be constrained by a 3 per cent cap
Government plans to contract out more work

- Social housing cut from already announced levels by 15 per cent, for a total of \$411 million cut over 5 years
- Science and Technology and Official Development Assistance (ODA) spending reduced to 3 per cent growth
- Canada Film Development Corporation and Export Development Corporation funds frozen

Taxes

- Implementation of Goods and Services Tax of 7 per cent on all purchases except groceries, drugs, and some medical devices
- UI premiums increased by 24 per cent with worker contribution rising \$.55 per \$100 of earnings

Privatization

Cameco
 Canada Oil and Gas Lands Administration
 CN Exploration
 Nordian International
 Petro-Canada (42 million shares)
 Petro-Canada International Assistance
 Telesat Canada

1992

Budget Cuts

Government organizations eliminated:
 Advisory Committee for le Musee des arts et du spectacle vivant
 Advisory Committee on La francophonie
 Advisory Committee on le Musee de la Nouvelle France
 Advisory Council on Lay Members of the Competition Tribunal
 Agricultural Products Board
 Canada Employment and Immigration Advisory Council
 Canadian Environmental Advisory Council
 Canadian Institute for International Peace and Security
 CN Steamships Limited
 Demographic Review Secretariat
 Economic Council of Canada

International Aviation Advisory Task Force and Committee
 International Centre for Ocean Development
 Law Reform Commission
 Marine Advisory Board on Research and Development
 Montreal Science and Technology Museum Advisory Committee
 National Advisory Committee on Development Education
 Pay Research Bureau
 Petroleum Monitoring Agency
 Science Council of Canada
 Veterans Land Administration

Taxes

- UI premiums raised by 7 per cent
- RRSP withdrawal of up to \$20,000 tax free for house purchase
- Capital cost allowance for manufacturing and processing machinery increased to 30 per cent from 25 per cent
- \$230 million tax incentives to encourage research and development
- Small business financing program to provide loans at a lower interest rate and the ceiling on loans doubles to \$200,000
- Manufacturing and processing tax rate drops to 22 per cent from 23 per cent in 1993 and to 21 per cent in 1994

Privatization

- Co-operative Energy Corporation (held the federal government's 32.5 per cent share in Co-Enerco, a publicly traded energy company)
- Dosimetry Services United (part of the Health Department that provided radiation monitoring services to workers across the country)

1993

- Drug Patent Legislation (C-91) changed to extend the monopoly patent period for brand-name drugs

Budget Cuts

- Social housing funding cut by \$660 million from 1993 through to 1997-8

- 6-month postgraduate interest subsidy on student loans to be eliminated
- Student Employment Program funding cut by \$61.3 million (funding cut five times between 1985 and 1993)
- Established Program Financing cash portion to be phased out

Taxation

- Family allowance to be replaced with Child Tax Benefit, based on income

Unemployment Insurance Changes

- 'Voluntary' job-leavers and those fired for misconduct cut off from UI benefits
- Benefits reduced from 60 per cent to 57 per cent of insurable earnings

1994

- North American Free Trade Agreement

Budget Cuts

- Federal government employees' salary freezes extended to the end of 1997:
Freeze extended to all Crown corporations
No increments based on progression through a pay range
- Funding to women's groups and all non-government organizations cut by 5 per cent
- Overseas development assistance cut by 2 per cent
- Transfers to provinces cut by \$1.5 billion each year

Taxes

- \$100,000 lifetime capital gains exemption to be eliminated (for gains after 1994):
25 per cent of capital gains still exempt from taxes, as well as \$500,000 for small business and farm capital gains
- First \$25,000 of employers' contribution to life insurance included in the taxable income of the worker

- Age credit eliminated for people with incomes over \$49,100

Unemployment Insurance Changes

- \$725 million cut in first year and budget reduced by \$2.4 billion for the following years
- Minimum qualifying period raised from 10 to 12 weeks
- Regional benefits cut from 32 to 26 weeks:
Move to two-tiered benefits - benefits drop from 57 per cent to 55 per cent of insurable earnings, except for low-income claimants whose benefits will be 60 per cent of insurable earnings
- UI premiums cut from \$3.07 to \$3.00

1995

Budget Cuts

Unprecedented cuts of \$29 billion to occur over three years including the following:

- \$2.5 billion in 1996-7 and a further \$4.5 billion in 1997-8 cut from transfer payments to provinces (now called the Canada Social Transfer)
- 45,000 jobs cut in the public sector (14 per cent)
- 19 per cent funding cut from government departments, including
\$550 million for international assistance
\$600 million at Natural Resources
\$900 million at Human Resources Development
\$200 million at Fisheries
\$900 million at Industry
\$550 million at Regional Agencies
\$450 million at Agriculture
\$1.6 billion at Defence
\$1.4 billion at Transport
- Western Grain Transportation Act, an act to assist grain handling and transportation in effect since 1897, rescinded
- Atlantic freight subsidies eliminated

Taxation

- \$950 fee instituted for immigration applications (refugees will be offered repayable loans)

- Minor increase in corporate taxes to raise \$300 million
- Interest on taxes owed to be increased by 2 per cent
- Temporary tax (until October 1996) on banks to raise \$100 million
- Gasoline tax increased 1.5 cents per litre
- RRSP allowable contributions reduced for 1 year, then increased so that the maximum contribution will be increased by \$1,000 in 1998

Unemployment Insurance Changes

- 10 per cent minimum cut in size of program announced
- Legislation to reform program to occur later in year

Privatization

Air Navigation System (ANS) to be commercialized
 All airports to be commercialized
 Canada Communication Group (formerly the Queen's Printer)
 Canadian National Railways to be sold
 Petro-Canada share (70 per cent) owned by the government to be sold

Other opportunities for privatization to be pursued include part or all of the following government services:

Canada Space Agency
 Canadian food inspection systems of the Department of Health, Agriculture, Fisheries, and Oceans and Industry
 Department of National Defence
 Environment Canada's weather services
 Inspection and regulation activities of the Department of Agriculture
 Management of capacity, licensing and compliance activities of the Department of Fisheries and Oceans
 National Capital Commission
 Natural Resources Canada

Sources: Federal Budgets 1985-1995; Canadian Council on Social Development, *Canada's Social Programs Are in Trouble* (Ottawa, 1989); Stephen McBride and John Shields, *Dismantling a Nation: Canada and the New World Order* (Halifax: Fernwood Publishing, 1993), Table 2.4, p. 59.

Notes

- i I recognize that there have been some important improvements to social security programs, such as the introduction of parental leave to Unemployment Insurance leave provisions, improvements in labour legislation in British Columbia, and some changes to provincial pay equity schemes. My point, however, is that the overall direction of social policy has been to support market activities, rather than social welfare. For an inventory of recent program changes, see Katherine Scott, *Women and Welfare State Restructuring: Inventory of Canadian Income Security and Employment Related Initiatives* (North York: Centre for Research on Work and Society, May 1995).
- 1 I use the term 'redistribution' to include more than the redistribution of income, but also the redistribution of power and resources.
- 3 In other cases this activism ignores the state altogether and focuses only on the relationship between men and women in the private sphere. As will become clear as this essay continues, ignoring the power of the state is a dangerous route for feminism to follow.
- 4 This is the approach some feminists take to explaining the relationship between women and the modern state. For a discussion of this approach see Linda Gordon, 'The New Feminist Scholarship on the Welfare State,' in Linda Gordon, ed., *Women, the State, and Welfare* (Madison: University of Wisconsin Press, 1990), 9-35.
- 5 Janine Brodie's discussion of restructuring and the women's movement notes that at the same time that feminists are defending the welfare state they had criticized it for being 'inadequate, patriarchal, classist and racist.' In contrast, the neo-liberals are blaming this very state for being responsible for the economic crisis. Janine Brodie, *Politics on the Boundaries: Restructuring and the Canadian Women's Movement* (Toronto: Robarts Centre for Canadian Studies, 1994), 31-2.
- 6 These kinds of analyses of the implications of policy changes are very important for women's activism. For an analysis of the absence of a consideration of gender issues in social security reform, see Therese Jennissen, 'The Federal Social Security Review: A Gender-Sensitive Critique,' in Jane Pulkington and Gordon Ternowsky, eds., *Remaking Canadian Social Policy: Social Security in the Late 1990s* (Halifax: Fernwood Publishing, 1996), 238-55.
- 7 For a discussion of the trajectory this focus on redistributive programs has taken in Canada, see Marjorie Griffin Cohen, 'Social Policy and Social Issues,' in Ruth Roach Pierson, Marjorie Griffin Cohen, Paula Bourne, and Philinda Masters, eds., *Canadian Women's Issues, vol. 1, Strong Voices* (Toronto: Lorimer, 1993), chapter 4, 264-320.

- 8 There have been some important exceptions, however, such as the activism of women in Canada against free trade. See Sylvia Bashevkin, 'Free Trade and Canadian Feminism: The Case of the National Action Committee on the Status of Women,' *Canadian Public Policy* 15, 4 (1989): 363-75; Matthew Sparke, 'Negotiating National Action: Free Trade, Constitutional Debate and the Gendered Geopolitics of Canada,' *Political Geography* (1996): 615-39.
- 9 'Restructuring' is a term which has been used in a variety of ways and is, therefore, problematic. For an interesting discussion of the ways in which the word 'restructuring' itself has facilitated the shift in the political atmosphere to the right, see Rav Broomhill and Rhonda Sharp, 'Gender Economic Restructuring Discourse in Australia,' unpublished paper presented to the Women and Restructuring Network's Roundtable on Regulating Restructuring in Canada and Australia, Toronto, 27 June 1996.
- 10 For a discussion of why the strategy of a single market has been pursued by the corporate world, see my article, 'New International Trade Agreements: Their Reactionary Role in Creating Markets and Retarding Social Welfare,' in Isa Bakker, ed., *Rethinking Restructuring: Gender and Change in Canada* (Toronto: University of Toronto Press, 1996), 187-202.
- 11 The FTA went into effect 1 January 1989, and NAFTA went into effect 1 January 1994. The last GATT agreement instituted a new international organization to facilitate trade. This organization, the World Trade Organization (WTO), was instituted in 1 January 1995.
- 12 I have attempted in other places to analyse the implications of free trade for people and have specifically focused on women. Some of these are as follows: 'Democracy and the Future of Nations: Challenges for Disadvantaged Women and Minorities,' in Robert Boyer and Daniel Drache, eds., *States against Markets: The Limits of Globalization* (London and New York: Routledge, 1996), 319-414; *Free Trade and the Future of Women's Work: Manufacturing and Service Industries* (Toronto: Garamond, 1987); 'Americanizing Services,' in Ed Finn, ed., *The Facts on Free Trade* (Toronto: Lorimer, 1988), 63-7; 'services: The Vanishing Opportunity,' in Duncan Cameron, ed., *The Free Trade Deal* (Toronto: Lorimer, 1988), 140-55; 'Women and Free Trade,' in Duncan Cameron, ed., *The Free Trade Papers* (Toronto: Lorimer, 1986), 143-8; 'The Lunacy of Free Trade,' in Jim Sinclair, ed., *Crossing the Line: Canada and Free Trade with Mexico* (Vancouver: New Star, 1992), 14-25; 'Exports, Unemployment and Regional Inequality: Economic Policy and Trade Theory,' in D. Drache and M. Gertler, eds., *The New Era of Global Competition: State Policy and Market Power* (Montreal: McGill-Queen's, 1991), 83-102.
- 13 The way in which the trade deals work as a conditioning framework to constrain social and economic policy was the core of the political activism against free trade in Canada. For an excellent analysis of the comprehensive nature of the international trade agreements as conditioning agents, see Ricardo Grinspun and Robert Kreklewich, 'Consolidating Neoliberal Reforms: "Free Trade" as a Conditioning Framework,' *Studies in Political Economy* 43 (Spring 1994), 33-62.
- 14 There are now a considerable number of studies which have explained the various ways in which state actions are inhibited by trade agreements. See, for example, various articles in the following collections: Ricardo Grinspun and Maxwell Cameron, eds., *The Political Economy of North American Free Trade* (Montreal and Kingston: McGill-Queen's University Press, 1993); Duncan Cameron and Melville Watkins, eds., *Canada Under Free Trade* (Toronto: Lorimer, 1993); Daniel Drache and Meric Gertler, *The New Era of Global Competition: State Policy and Market Power* (Montreal and Kingston: McGill-Queen's Press, 1991); John Calvert with Larry Kuehn, *Pandora's Box: Corporate Power, Free Trade and Canadian Education* (Toronto: Our Schools/ Our Selves, 1993); Isabella Bakker, ed., *The Strategic Silence: Gender and Economic Policy* (London: Zed Books, 1994); Robert Boyer and Daniel Drache, eds., *States against Markets: The Limits of Globalization* (London and New York: Routledge, 1996).
- 15 For a discussion of the political tactics of the business elites up to and including free trade, see David Langille, 'The BCNI and the Canadian State,' *Studies in Political Economy* (Autumn 1987), 4-86.
- 16 The strategy of the Fraser Institute is an example of the understanding that long-term planning is necessary to change the intellectual consensus of the nation. See Marjorie Griffin Cohen, 'Neo-cons on Campus,' *This Magazine* (July 1995), 30-2.
- 17 This is a support which continues, according to a survey conducted on behalf of fourteen public and private sector clients by Ekos Research Associates Inc. 'Maintain Services, Canadians Tell Survey,' *Globe and Mail*, 25 February 1995.
- 18 The devotion to full employment tended to be more rhetorical than practical in Canada, in contrast to Western European governments in the postwar period. Ramesh Mishra (1990: 17) points out that no government in Canada has been fully committed to full employment as a policy objective. Nevertheless, the rhetoric about full employment meant that governments in the past felt compelled to shape public policy in this direction. Today not even the rhetoric of full employment exists in policy statements.
- 19 In Canada there is convincing evidence that unemployment associated with recession has become a permanent feature of the economy. The average rate of unemployment from 1950 to 1980 was 5.3 per cent. This average increased to 9.8 per cent in the 1981-94 period. For a discussion of the 'permanent

- recession,' see Jim Stanford, 'The Economics of Debt and the Remaking of Canada,' *Studies in Political Economy* 48 (Autumn 1995), 11 3-36.
- 20 Canada's economy has been more export-oriented than that of most wealthy, industrialized countries, with generally between one-quarter and one-third of its national income coming from export sales. Since NAFTA, the significance of trade has increased substantially so that in 1995 38 per cent of the national income came from trade. This is in comparison with other wealthy industrialized countries like the United States, which receives only about 10 per cent to 12 per cent of its income from exports and Japan, which receives less than 15 per cent of its income from exports. In some sectors, particularly the resource-extracting sectors, Canada has been highly competitive.
- 21 The material in this section on Public Finances was adapted from my paper prepared for the NDP Renewal Conferences in 1994-5, entitled 'Debt and Deficit: A Problem or The Problem.'
- 22 The concurrence of socialist governments to the economic policies of the political right is a phenomenon not confined to Canada. For a particularly interesting discussion of the effect of the Hawke Labour government in Australia on women's relationship to the welfare state, see Rhonda Sharp and Rav Broomhill, *Short Changed: Women and Economic Policies* (Boston: Allen and Unwin, 1988).
- 23 For an excellent and readable account of how the right has manipulated the debt debate, see Linda McQuaig, *Shooting the Hippo: Death by Deficit and Other Canadian Myths* (Toronto: Viking Penguin Books, 1995).
- 24 For a discussion of why Canada is more severely affected by economic crises than other industrialized countries, see my article entitled 'Exports, Unemployment and Regional Inequality: Economic Policy and Trade Theory,' in D. Drache and M. Gertler, eds., *The New Era of Global Competition: State Policy and Market Power* (Montreal: McGill-Queen's, 1991), 83-102.
- 25 Much of the data for this section comes from Clarence L. Barber, 'Monetary and Fiscal Policy in the 1980s,' in Robert C. Allen and Gideon Rosenbluth, eds., *False Promises: The Failure of Conservative Economics* (Vancouver: New Star Books, 1992), 101-20.
- 26 This strategy was so crucial to the Conservative government that it attempted to incorporate a constitutional requirement in the Charlottetown Accord to make inflation control the sole focus of the Bank of Canada.
- 27 For a discussion of changes to labour markets, see Leah Vosko, 'Irregular Workers, New Involuntary Social Exiles: Women and UI Reform,' in Jane Pulkingham and Gordon TERNOWETSKY, *Remaking Canadian Social Policy*; Gordon Betcherman, 'Globalization, Labour Markets and Public Policy,' in Robert Boyer and Daniel Drache, *States Against Markets*, 250-69.
- 28 I am writing this as the future of medicare in Canada is being debated. As the country's health ministers meet, the major bond rating services have downgraded Canada's credit rating (making borrowing more expensive), explaining that social spending is still too high, despite the federal budget which generally received their approval. The speculation that these agencies were attempting to influence the future direction of this social program in Canada is not unwarranted.
- 29 A progressive way of dealing with the debt has been offered by popular sector groups. Canadian Centre for Policy Alternatives and CHOICES: A Coalition for Social Justice, *Alternative Federal Budget 1995* (Ottawa: CCAP, 1995).
- 30 For a discussion of the power of international financial markets see John Dillon, 'Monopolizing Money,' *Canadian Forum* (June 1994), 8-12.
- 31 Even the Economic Council of Canada, which favours deregulation of financial markets, recognizes this problem. In a report entitled *A New Frontier: Globalization and Canada's Financial Markets* (Ottawa: 1989), it said: 'Because the quality of information on which all financial decisions must rely tends to deteriorate with distance, institutions headquartered in Europe, Asia, or the United States are often less familiar with the needs of Canadians than are domestic institutions.' Cited in Manfred Bienefeld, 'Financial Deregulation: Disarming the Nation State,' *Studies in Political Economy* 37 (Spring 1992), 31-58.
- 32 Manfred Bienefeld is one of these. He maintains that 'the speculative excess of interlocking, deregulated financial systems are at the heart of the current economic crisis in which debt, asset price inflation and high interest rates are combining to destroy governments, businesses, jobs and farms.' Manfred Bienefeld, 'Financial Deregulation: Disarming the Nation State,' *Studies in Political Economy* (Spring 1992): 31-58.
- 33 I have discussed alternatives to the marketization process in 'Feminism's Effect on Economic Policy,' in Ruth Roach Pierson and Marjorie Griffin ⁿ *Canadian Women's Issues, Vol 2 Bold Visions* (Toronto: ~, 1995), chapter 4, 263-359; 'Democracy and the Future of Nations: Challenges for Disadvantaged Women and Minorities,' in Robert Boyer and Daniel Drache, eds., *States against Markets*, 319-414; 'New International Trade Agreements: Their Reactionary Role in Creating Markets and Retarding Social Welfare.' in Isabella Bakker, ed., *Rethinking Restructuring*, 187-202.
- 34 For a discussion of this 'new functionalism,' see Ramesh Mishra, 'The Welfare of Nations,' in Robert Boyer and Daniel Drache, eds., *States against Markets*, 316-33. Janine Brodie also raises this issue and makes the important point that 'we perhaps have been too quick to accept the determinism and unrestrained economism of the restructuring discourse. 4Ve have not suffi-

- ciently challenged its impositional claims as "impositional" - that is, as vested interpretations of reality which are open to political contestation and moral evaluation.' Janine Brodie, 'New State Forms, New Political Spaces,' in Boyer and Drache, *States against Markets*, 383-98.
- 35 For an analysis of the methods through which the ideology of the right has gained legitimacy, see Seth Klein, *Good Sense Versus Common Sense: Canada's Debt Debate and Competing Hegemonic Projects*, MA Thesis, Simon Fraser University 1996.
- 36 See, for example, Diana Ralph, 'How to Beat the Corporate Agenda: Strategies for Social Justice,' in Pulkingham and Ternowetsky, eds., *Remaking Canadian Social Policy*, 288-302; Jill Vickers, 'The Intellectual Origin of the Women's Movement,' in Constance Backhouse and David H. Flaherty, eds., *Challenging Times: The Women's Movement in Canada and the United States* (Montreal and Kingston: McGill-Queen's Press, 1992), 39-60.
- 37 For a discussion of why social charters cannot replicate the disciplinary function of nation states, see Wolfgang Streck 'Public Power beyond the Nation-State: The Case of the European Community,' in Boyer and Drache, eds., *States against Markets*, 219-315; Tony Clarke, 'Free Trade and Social Charters Don't Mix,' *CCPA Monitor* 3,2 (1996), 15.
- 38 For a discussion of this, see Christina Gabriel and Laura Macdonald, 'NAFTA, Women and Organizing in Canada and Mexico: Forging a Feminist Internationality,' *Millennium* 23, 3 (1994), 535-62.

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