“So far the market view has prevailed: ‘liberal’ has consciously or unconsciously been assumed to mean ‘capitalist’. This is true even though ethical liberals, from Mill on, tried to combine market freedom with self-developmental freedom, and tried to subordinate the former to the latter. They failed ….”

“…the socialist objection of justice to the market economy is that it allows private ownership of means of existence which no one has the right to own privately, and therefore rests upon an unjust foundation. … the socializing state is not violating rights, or even overriding them in the interests of something more important, but righting wrongs; it is rectifying violations of rights, violations inherent in the structure of private property.”

“[Social Democratic] Theory is that the rise and fall and the cohesion of societies is best explained not by the experience and perpetuation of elites (which is conservatism), nor by the initiatives and inventions of competitive individuals (which is liberalism), but by the relationship to the ownership and control of the means of production of the primary producers of wealth - in an industrial society, the skilled manual worker.”

“Only a very few sociologists seem to have learned that an adjustment of social conflict, caused by the disproportion of power in society, will hardly result in justice as long as the disproportion of power remains. …the failures of governments is due to the pressure of economic interest upon them rather than to the “limited capacities of human wisdom.” … Teachers of morals who do not see the difference between the problem of charity within the limits of an accepted social system and the problem of justice between economic groups, holding uneven power within modern industrial society, have simply not faced the most obvious differences between the morals of groups and those of individuals.”

“…nationalism …[has]… to go hand in hand with some measure of socialism. Only … nationalism …[can]… provide the political incentive for planning; only planning …[can]… restrain the victory of continentalism [and in the wider view, of globalization].”

“Collective enterprises should be governed collectively, in accordance with the shared understanding of how such government works. Among ourselves, that understanding is democratic: hence, again, the requirement of industrial democracy. …So justice requires that justice itself be democratically at risk.”

“…even if the members of a society are not friends, each self-realized individual possesses a commitment to a common view of the society in which he or she lives.”

“Democratic socialism is a collection of principles: It’s the application of certain principles – moral and political and economic and social principles – to the society in which we live.”

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4 R. Niebuhr, Moral Man and Immoral Society, (New York: Charles Scribner’s Sons, 1932), xvii, xviii, xii.
6 M. Walzer, “Justice Here and Now,” in F. S. Lucash, ed., Justice and Equality Here and Now, 148, 149. This is a worrisome prospect. It has been suggested to me that since we live in a democratic society, in an electoral sense, that if the democracy turns up a government bent on non-humanitarian goals, that that is the end of the matter in the sense that the people have spoken. But in the larger sense of morality it is not the end of the matter at all. That is to say, “…democracy can never be a self-fulfilling justification for policies that are intrinsically immoral. Democracy is not a self-sufficient moral system. Democracy, if it is to be healthy, requires more than universal suffrage: It requires the presence of a set of common values.” The Common Good and the Catholic Church’s Social Teaching. (London: The Catholic Bishops Conference of England and Wales, 1996), 10.
7 Reginald Bibby, Mosaic Madness; The Poverty and Potential of Life in Canada. (Toronto: Stoddart, 1990), 22.
Teachers of neo-classical economics, disgruntled with its inadequacies, have often lamented that there is ‘no alternative’ approach. At the same time, there are those who say they ‘believe’ in neo-classical mainstream economics no matter what has been shown to be wrong with it. These are individuals who will never contemplate the possibility of any critical alternative to what they have been taught and that they teach and probably have been teaching since graduate school. Moreover, while there are others who are merely reluctant to change even they may admonish that in spite of the problems of neo-classical economics all economics students have to know what is being criticized before going on to other things. But this means that the other things never get done; they are conveniently shunted aside. This unscientific attitude and the ability to enforce it through political control of the curriculum are part of the monopoly of knowledge possessed in the conventional academic academy.

Similarly in the arena of public politics liberal and conservative politicians emphasize that there is no alternative to pro-business strategies for controlling the economy. This is also, of course, a monopoly argument that leads to the suggestion that only the private sector, certainly not the public, can create jobs and wealth. Though invalid this argument leads to monopoly control over people through the private ownership and control of the means of existence and it underlies the neo-conservative arguments that were outlined in Chapter 11. It is this market view that allows the equation of liberal and capitalist (see the citation from Macpherson given above). Specifically liberal political theory is incomplete and has failed because the priority given to the owners of capital over labour has the social, educational and moral implication that labour (and generally society) does not have an interest. This means that labour’s developmental or positive freedoms do not matter and can be ignored in favour of capital.

In fact, however, there is an alternative to neo-classical teaching and there are alternatives to current conservative/liberal economic policy. In both cases—teaching and policy—it may be said that a holistic and communitarian alternative is advanced as a replacement for the competitive individualist model of liberal political and economic theory. Perhaps the best-known alternative in policy has come to be known as the Alternative Economic Strategy (AES). The alternative in teaching is post-Keynesian and Classical-Marxian, in tradition (but ultimately trans-disciplinary) in the sense of dealing with historical or real time processes and the social relations that link people in lines of inter-dependency tied to ownership and control of the means of existence or production.

Part of what stands in the way of the acceptance and implementation of alternatives to teaching and policy is the myopia that accompanies the usual way of doing things and an unwillingness to recognize let alone shoulder the moral obligation to seek truth and justice in tandem with progressive social change. Departures from accustomed ways are upsetting to power structures in academia as they are in the ‘real world.’ A collective *déformation professionnelle* seems to exist. The system is taken as given.

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8 Tommy Douglas, as quoted by Alexa McDonough, Leader of Canada’s New Democratic Party, Fall 1998.
Chapter 13

Neo-classical teaching provides the apologetic rationalization for capitalism and the perpetuation of private enterprise, class and authoritarian power relationships. Classical-Marxian and post-Keynesian economics can be used to erect an alternative ideology and provide the rationalization for social democracy, which, in a sense, would be a ‘classless’ society based on democratic control through democratic management or participatory decision making. This chapter outlines the main principles or values of social democratic thought and the major components of the socialist alternative economic policy. The discussion of socialist principles is based on Tawney, Crick, and others. Fundamentally, however, the social democratic alternative is tied to the critique of liberal capitalism provided by Macpherson. John Kenneth Galbraith provides a consistent outline.

The discussion of the Alternative Economic Strategy is based on a number of sources, but principally the work of the Conference of Socialist Economists (CSE) and subsequent commentary on the British AES. In Canada political economists and social activists, both new and old, have been developing their own ‘AES’, independently of the British work, and integrating staples and public ownership of resource industries with manufacturing and service sector employment.

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15 B. Crick, Socialist Values and Time.
Increasingly the concept of a ‘social market’ economy has come to characterize social democratic discussion of alternatives to capitalism. The ‘social market’ concept reflects the recognition that markets have existed longer than capitalism and that while capitalism requires markets, markets do not require capitalism. The term ‘social market economy’ ought to emphasize for social democrats, and everyone else, that there is no such thing as a free market. Moreover, social democrats want to use the market to perform the signaling, incentive and allocative functions that are usually associated with properly functioning markets. Specifically: “…just as [democratic] socialists do not propose to abolish democracy because it is distorted under capitalism, but rather abolish its distortions and make it real by supplementing it with the necessary economic and social democracy, so we need not abolish the market because capitalism distorts it, but … readapt our system so that the market will actually perform the functions it can and should perform.”

Certain prejudices, preconceptions and myths, exist concerning social democracy and markets and the intentions of social democrats who in fact envisage a broad policy framework the content of which will vary over time according to the circumstances that confront people on the spot. To be emphasized, however, is that there is an assertion about commonly shared values that are to define the sort of society that social democrats would like to create.

The assertion is rooted in the notion of what it is to be a human being. One expression of that underlying notion has been provided by Stanley Knowles who said:

“The fundamental faith of a democratic socialist is his belief in the essential worth and goodness of man. We … do not accept the notion that man is forever doomed to a life of sorrow and insecurity. We believe that rather he has tremendous potentialities for happiness and that it is his destiny to achieve the abundant life. We believe that man finds more satisfaction from good than evil, more satisfaction from holding out the hand of friendship than the fist of anger, more satisfaction from building up than tearing down. Because these are our beliefs it is no accident that the CCF [NDP] includes within its members and amongst its leaders many persons of deep religious faith.”

The intent is to create a society that would be more moral than capitalism and etatism. This would be a society that is able to operationalize the values of liberty (morally constrained so that the exercise of each person’s positive freedoms do not create injustices for others), equality (at least in the sense of the systematic elimination of all unjustifiable inequalities) and community mindfulness. The theory is that such a society will generate social and technical efficiency, and be fairer and more democratic than the society in which we now live. And again one expression of that view has been provided by Stanley Knowles:

“Most Canadians hold the view that we are extremely fortunate in the political institutions we have inherited. In particular it is widely recognized in this country that our parliamentary system of government is one of which we can be justly proud. Even at a time when it is accepted that change is the order of the day, Canadians hold fast not only to their belief in democracy, but to the conviction that in and through the workings of our parliamentary system we can build a society that will preserve freedom, achieve a high level of economic development, establish security, and provide for the educational, social and cultural development of all our people. At the same time it must be said that most Canadians have an uneasy feeling that our parliamentary system is not working as it should, that it could fail to

24 See: Richard Moore, Escaping the Matrix: How we the people can change the world, (Redwood City, California: The Cyberjournal Project, 2005)
meet the demands of our time, and that something must be done to put it back on the rails. This is why Canada needs the New [Democratic] Party.”26

Beyond the statement of values, there are, no panaceas, no ready-made solutions, there are no certain blueprints in a world of uncertainty and constant change. Democratic socialism implies principled pragmatism. It can be stressed, for example, that market socialism does require government intervention—but, this means “government intervention when necessary, but not necessarily government intervention.” Similarly market socialism does require public ownership—and, this means “public ownership when necessary, but not necessarily public ownership.” As well, market socialism requires a form of planning but not detailed central planning so, again—“planning when necessary but not necessarily planning.” Again, therefore, the social market economy allows signals, incentives, information and certain degrees of efficiency, but under a social market economy, reliance is placed on markets when necessary, but not necessarily on solutions that are conventionally provided by the private market system. The emphasis is on assuring justice and self-realization for each person and the market is seen as a means by which human goals may be obtained. The market serves, people do not serve the market.

Adapting Kari Levitt’s definition of social democracy, it can be said that activity that would lead to a social democratic society represents:

“This construction of an economic order which is directed and manipulated neither by big business [dictatorship through the capitalist free market] nor by bureaucrats in big governments [as in etatist dictatorships]. [Socialism is instead, a system] which places economic, social and political decision-making truly in the hands of the people. It requires a reintegration of production and consumption, which is to say, a subordination of economic activity to the fulfillment of social or human needs. [That is, away from profit as the end, away from private gain as an end, and away from individual selfishness] Socialism involves a reduction in the number of human needs that are satisfied by market transactions.”27

This definition implies that in a social democratic society people are no longer to be regarded as commodities. Rather, people are placed on a pedestal, as it were, and their rights and needs for self-realization or self-actualization are made the end and at the same time the very justification of human existence.

The Values and Principles of Social Democracy

Individual and Community Rights

Democratic socialists have a view of the rights of the state and the rights of the individual. At the most basic level the rights of the individual dominate. The classic expression of this is found in the words “…we shall have an association in which the free development of each is the condition for the free development of all.”28

28 K. Marx and F. Engels, The Communist Manifesto, as quoted in H. Pachter, “Freedom, Authority, Participation”; in I. Howe, ed., Beyond the Welfare State, (New York: Schocken Books, 1982), 43-44. Pachter pointed out that: “…in most anthologies this sentence is the conclusion of the Communist Manifesto for it is indeed the end of its theoretical exposition. It must be assumed that Marx and Engels worded this ending with special care, and it is therefore noteworthy that they said “association” instead of “state”, and that they did not consider the development of the whole a condition for the development of
G. Cohen points out that these words are modified by a background of abundance so that it is in that context that: “…players and audience alike pursue their own several bents: no one has to clean the streets or spend his life as an appendage to a machine. Everyone is guided by his self-regarding goal, yet there is no inequality in the picture to exercise an egalitarian. Thus, although human activity is an unending concert of mutually supporting self-fulfillments, no one takes promoting the fulfillment of others as any kind of obligation. I do not say that no one cares about the musical fulfillment of the others. Unless they are crabby people, they probably delight in it. But no concern for others is demanded by the Manifesto slogan. It does not require that any one do anything for anyone else’s sake. It is the lofty material endowment which ensures that the free development of each is the condition for the free development of all.”

In Bernard Crick’s words this can be worded as “It, [socialism], would not be a society in which everyone was exactly equal in power, status, wealth and acquired abilities, still less in end-products of happiness; but it would be a society in which none of these marginal differences were unacceptable and regarded as unjust by public opinion - a public opinion which would itself become, as gross inequalities diminished, far more critical and active, far less inert and fatalistic than today.”

But surely no one waits for material abundance to promote justice here and now that is to engage in praxis in a system that definitionally promotes injustice and inequalities. So, even with constraining scarcities, these words are to be interpreted in terms of the extension of human rights and the individual exercise of positive and negative freedoms.

The words appear to be entirely consistent with liberal theory. But liberal political theory ignored the developmental or positive freedoms of each (the developmental freedom to be and to become full and free) and for all that is so important to individualism.

Positive freedom is the freedom to do or to become all that one is capable of becoming, of fulfilling one’s self as a human. Negative freedom is freedom from coercion. The problem is to assure that the exercise of one’s positive freedoms does not inhibit the possession and exercise of other peoples’ negative and positive freedoms.

The use of positive and negative freedoms can provide, on the one hand, a critique of capitalism as a system that compels a transfer of power from some men to others, and which, therefore, prevents those people from whom power is transferred from exercising both their positive and negative freedoms. On the other hand, the use of positive and negative freedoms emphasizes that a social democracy entails a notion of ‘community mindfulness.’ In such a society, in other words, the exercise of one’s positive freedoms—as ‘self-actualization’—is to be tempered with a concern that one’s actions must not do injustice to others. Thus, positive freedoms are to be exercised only in ‘fair’ ways.

At another level there is the meaning of individual rights and community rights. The words of the Canadian philosopher George Grant can be interpreted as identifying the notion of each, but on the contrary, “the development of each the condition for the development of all.” I do not consider Marx and Engels oracles, but it is significant that these alleged “collectivists” placed the individual ahead of the collective. True, they proposed to abolish “private property,” but not to put state property in its place. Their “association” was supposed to abolish the relationship of property between capital and worker, between dead and living labor; it was to substitute a direct, human relationship of cooperation for the mediated, material relationship of property and profitability.

29 G. Cohen, Marxism and Contemporary Political Philosophy, or: Why Nozick Exercises some Marxists more than he does any Egalitarian Liberals,” in David Copp, ed., Canadian Philosophers Celebrating Twenty Years of the CJP, Canadian Journal of Philosophy, Supplementary Volume XVI(1990), 381.
30 B. Crick, Socialist Values and Time, 17.
‘community’ with that of the ‘state.’ Grant argued: “…the rights of the individual do not encompass the rights of nations, liberal doctrine to the contrary.”

These words may be variously interpreted. Grant was a conservative philosopher who was vitally concerned, as Canadian nationalists and social democrats are, with the existence of Canada. The rights of individuals and institutions within Canada ought then to be bent or molded to assure the construction and reproduction of a Canadian community that is different from, and the differences make that community superior to, the society existing in the United States. The following description of New York City by a non-North American, Ranjani Kanth, is a gross illustration of some of the things that could have been feared by Grant and by others.

“…it was on [after the New Delhi School of Economics and Jawaharal Nehru University] to Columbia University, New York, and finally to the New School for Social Research, a student again in a town that epitomizes, at least to this alien observer from afar, the very antipodes of the intellectual life, a sordid gutter of urban waste, glitz, and dementia where, all but unknowing, I went thorough a collapse of the senses from which I am yet to fully recover. At any rate in that blight, in that rank and venal ethos, sexist, racist, and misanthropic as it was, I studied political economy—in the library, and in the street, cursing the madness that had made me give up the fair messuages and pleasances of New Delhi for the cacophonic nightmare of Manhattan. Since then the parched but peaceful mountains of Utah have been my muses, in airy contrast to the septic vapors of the East Coast; …”

In other words in social democratic terms Grant’s words are to be taken as implying that the ‘laissez-faire’ or unconstrained freedoms of liberal political theory, which ignores or tries to side-step the fact of the differential class effects that result from capitalist compulsion, (and which, in the Canadian case, Grant argues, has led to the disappearance of a Canadian ‘community’) must be replaced by a higher vision. In Grant’s words, this would be “a society in which the right of the common good [including the existence and perpetuation of Canada] restrains the freedom of the individual.”

Grant’s words are not intended to open or even suggest the possibility of state oppression of the individual. The desired social democracy is to be a society in which capitalist governance relationships “the mediated, material relationship of property and profitability… [have been replaced by] …a direct, human relationship of cooperation … [with the ultimate meaning that] … Far from subduing the individual, socialism is the highest stage of individualism—its fruition for all.”

One wording of the operative meaning of social democracy as the ‘highest stage of individualism’ has been given by Einstein who said that: “Man can find meaning in life, short and perilous as it is, only through devoting himself to society.” This view is consistent with the reflections of the United Church of Canada and of the various Conferences of the Roman

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32 G. Grant, Lament for a Nation: The Defeat of Canadian Nationalism, 21.
34 G. Grant, Lament for a Nation: The Defeat of Canadian Nationalism, 76.
35 Note however, that in Quebec, it appears that the cultural-community rights of the Francophone Canadians may lead to the repression of minority rights guaranteed in the BNA. This is a clash of the rights of one community against the rights of another community. The clash will have impacts on individuals.
Catholic Bishops in Canada, United States and England and Wales that were dealt with in Chapter 12.

The desired social democracy is to be a system created and operated by people so as to make it possible for each individual to become everything that he or she is capable. Individual freedom is essential in achieving this goal and community action is required to assure that it happens. The ‘stuff’ that binds freedom and community action together is the purely socialist value—that of ‘equality’.
Socialist Values

There are three values or principles on which socialists rely and which they attempt to instill into human affairs. The three principles of socialist ‘dogma’ are the secular values of ‘liberty’ or freedom, ‘equality’, and ‘fraternity’ or community mindfulness. Beyond doctrinal belief, these three words have rhetorical power. For example Henry George wrote: “There have been ‘Holy Alliances’ of kings. Let us strive for the Holy Alliance of the people. “Liberty, equality, fraternity! Write them on the banners. Let them be for sign and countersign …. “by this sign shall ye conquer!”

In Crick’s words: “[Social democratic]…‘doctrine asserts the primacy and mutual dependence of the values of “liberty, equality and fraternity,” and it draws on the theory to believe that greater equality will lead to more cooperation than competition, that this in turn will enhance fraternity and hence liberate from inhibition, restriction and exploitation both individual personality and the full productive potential of society.”

These are basic secular values that are found in all societies. While this value set may seem to be utopian it is a realizable ideal. In fact it is the same communitarian value set that has characterized life within Native communities in North America for 30-40000 years and possibly longer. In these timeless terms Canada and the rest of the world have much to learn about community sustainability from the various races that comprise ‘earth-based’ people.

In his remarks to the United Nations, William Commanda prefaced his remarks by a quotation from Wawahtehsey, an Ojibway person from Georgina Island Ontario.

“Ojibway Elders have told us that seven needaw-na-kayo (prophets) came to the Anishnabe [Ojibwa/Ojibwe/Ojibway] people long ago. These prophets have left us with seven predictions and each of these was called a fire, seven fires in all. These prophecies have all come to be and it has been said that we are in the seventh fire. The seventh prophet who came to the people was different from those who came before him. He was young, full of energy and he had a strange light shining in his eyes. His message was; In this time of the seventh fire, a new people will emerge, hungry to retrace their steps, to find out where they came from, they would seek out the teachings and medicines left behind. They will remain strong and steadfast in the journey towards truth and understanding. This seventh fire will light the eighth and final fire — one of peace, love brotherhood and sisterhood.”

The words of Wawahtehsey, may be linked to Charles Taylor’s outline of the three purposes of community minded nationalism in Canada, and they are entirely consistent with the argument presented here. Taylor argued Canadian community minded nationalism’s three purposes were:

1. “…to develop the five great regions as full-scale societies … the principal aim of uniting these diverse regions into one body politic can only be their combined development … a goal which would mean a fuller and more prosperous life for the vast majority of Canadians”;
2. “…to develop a mode of existence where different cultures can grow and be

40 B. Crick, Socialist Values and Time, 7.
41 See for example: Chief William Commanda (Algonquin Nation), “Neegaw-na-kayo” (Prophets); N. Avrol Lookinghorse (Lakota),“Wakan Tanka” (The Great Spirit); and Manuel Hoyungowa (Hopi), “Massau’u,” (Great Spirit), Aboriginal Voices, III:1(1995), 34-35, 30-31, 32-33. These articles were amongst the presentations made to the United Nations’ Cry of the Earth conference held on November 23, 1993. Boutros-Ghali said, “It is a message of warning which all of us, regardless of our particular faith, must share. The cry of distress, of pain at the state of the planet, has been heeded. No longer can we take the resources of nature as ours to master.” Aboriginal Voices, II:1(1995), 28.
fully themselves without paying the price of isolation, while helping, that is, to enrich each other. … a society in which
diversity is welcomed as richness and not feared as the prelude to division…”; (3) once we exist as a country we cannot
avoid our obligation to play a role in the international scene … a strategic role in the attempt to preserve peace…”.

The existence and creation of a social democratic society, however, is dependent on the joint
existence of liberty, equality and community mindfulness. Commitment to the fullest realization
of these values will grow in the strength of its popular support with an “…educational system
which would be oriented towards social goals” and: “…by argument, by agitation and example
as well as legislation.”

Social democrats would say that individual freedom or liberty does not imply unbridled
conduct and behaviour. Above all, liberty does not imply interference or exploitation by some
individuals for their personal gain at the expense of others. In short, freedom is not to be
exercised in behaviour that is designed to promote inequality. To give the concept positive con-
tent, freedom as liberty implies acting with a sense of community and this is based on awareness
and acceptance of the fundamental equality that exists amongst all people. At the national level it
means purposeful actions that attempt to extend to the disadvantaged people of the earth all the
freedoms possessed by the most advantaged.

The notion of equality, as a value principle, simply means actions and policies that would
work to make more equal the life chances that confront different individuals, though the
individuals may be very dissimilar. Again equality, therefore, can only mean actions that would
eliminate all unjustifiable inequalities. The inequalities may be seen in Canada in extremes of
wealth and poverty, of health and illness, of long-life and early death, of good and bad working
conditions that differentially and systemically characterize the existence of different individuals
and groups in different regions of the country.

It is interesting to note the contradictions within the medical profession with respect to health
care. At the 1997 Annual Meeting of the Canadian Medical Association one topic of debate, as

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45 B. Crick, Socialist Values and Time,
46 The simultaneous operationalization of liberty, equality and fraternity are to be seen as making possible the ‘perfectibility
of man’. This is another statement of what makes socialism the highest stage of individualism. Again, as Grant says, it requires
“…build[ing] a society in which the right of the common good restraints the freedom of the individual.” Note the contrast with
most of modern [liberal/libertarian] political theory. “To modern political theory, man’s essence is his freedom. Nothing must
stand in the way of our absolute [individual] freedom to create [and/or in the process possibly destroy] the world as we want it.
There must be no conceptions of good that put limits on human action. The definition of man as freedom constitutes the heart of
the age of progress. The doctrine of progress is not, as Marx believed, the perfectibility of man, but an open ended progression in
which men will be endlessly free to make the world as they want it. In Marxism, technology remains an instrument that serves
human good. But many technologists speak as if mastery were an end in itself. To conquer space it may be necessary to transcend
ordinary humanity, and produce creatures half flesh and half metal.” G. Grant, Lament for a Nation: The Defeat of Canadian
Nationalism, 56.
47 See: “Group takes Canada to UN over poverty,” The Record (Kitchener, Ont: Wednesday, November 11, 1998), A3; and,
An assessment of the delinquency of Canada and other countries with respect to the progressive pursuit of human rights may be
made through examination of the 1948 United Nations Universal Declaration of Human Rights. See: Paul Williams, ed., The
International Bill of Human Rights, (Glen Ellen, CAL: Entwhistle Books, 1981), 3-12. See also the bibliographical reference for
John Peters Humphries, a Canadian who wrote the initial drafts of the Universal Declaration of Human Rights. Also see: Our
1992) and particularly Chapter Two -- Values for the Global Neighbourhood http://www.cgg.ch/CHAP2.html
48 See for example: Ross Howard, “Well-off found to live longer: Health linked to income in B.C.” The Globe and Mail,
(Toronto, March 6, 1995), A1, A6.
reported by the Health Policy Reporter for the Globe and Mail, was “...the relationship between traditional medical care and newer theories of promoting healthier lives and preventing sickness. ...Although one speaker was greeted with disbelief when he suggested the meeting should vote that medical care is the only thing needed to ensure good health — apparently discounting the importance of such factors as shelter and nutrition ...[and] education, income, personal safety and social status “in keeping people well — even more moderate speakers were cautious and concerned.”

In the same report was noted the view of Professor Louise Nadeau of the National Forum on Health’ committee on determinants that giving more attention to the determinants of health, and keeping people healthy rather than waiting to treat them once they get sick is an acknowledgment that there will never be enough money for all the health care that one could potentially give Canadians. “High-tech medical care can be infinite, we can always pump more money into health care for technology or salaries ...; but that’s not the way health care should be run, ...you can’t work on the hypothesis that if you pump more money in you will get better and better health.”

The principle of equality may be understood as a process of leveling up the minimum levels and narrowing drastically the gaps between minimums and maximums. And it is society that determines the conventions that specify what is a justifiable inequality, what is not, and how long inequalities will be allowed to continue. As an example, on the income side alone, it implies interfering with systemic market place discrimination in the determination of incomes. The elimination of male-female wage differentials has been and will continue to be a current concern in Canadian and other jurisdictions.

In the final analysis, if equality as defined is achieved, a socialist society would, at one and the same time, be extremely heterogeneous, yet classless, and humane in the treatment of all its citizens.

The principle of fraternity, cooperation or community mindfulness, means people working together in various workplace settings to achieve common goals. Fraternity implies tolerance and accepting each person for what he or she is, for what they can contribute; and it means purposeful action to assist each person’s attempt to become everything that he and she is capable of as a human being. Thus the socialists, as do the Bishops, reject individualistic competitive behaviour.

“True fraternity can be encouraged by governments and leaders by example, but it cannot be imposed: it must have its roots in common institutions and struggles. Oppression and common enemies can indeed stimulate fraternity; but the only way to maintain fraternity in such conditions is to continue oppression or war (even if the government is now called Communist rather than Czarist) ...experience of fraternity is learned in small groups which fulfill a variety of roles - working, governing themselves and providing as many of their own services as they can: the image of the commune and of industrial democracy. But it must be extended to all humanity - certainly beyond the nation, otherwise the world will only see the deadly rivalry of East and West replaced by fear of war between North and South. And yet fraternity must be extended in such a way that the large scale does not obliterate the small. We do indeed need both.”

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49 Jane Coutts, “MDs fear losing share of Funding,” The Globe and Mail, (Wednesday, August 20, 1997), A10. The obvious validity of the notion of preventative medicine so as to sicknesses from happening is of long standing The concern for the maintenance of doctors incomes expressed by this individual is not new. It was also heard from a local K.W. physician, without either disagreement or noticeable consternation from his colleagues, at an election meeting of the Members of the K.W. Academy of Medicine, February 25, 1981, with local candidates running in the 1981 Ontario Provincial Election.

50 Note too the importance to the argument of this book with respect to equality as a socialist value and the societal impacts on improving the health of rich and poor alike if egalitarian policies are pursued. Canadian Press, “Rich and poor healthier in egalitarian nations,” The Record, (Kitchener, Ontario: June 11, 1998), B10. Helen Branswell, “Canada asked to defend its international reputation: Embarrassing questions raised in review about child poverty on reserves,” The Globe and Mail, (Friday, November 27, 1998), A17.

51 B. Crick, Socialist Values and Time, 25.
The three socialist values are to be linked through the notion of equality. The argument is that equality is conducive to cooperation and that equality amongst individuals inhibits conflict in the pursuit of common goals. The notion of equality facilitates consensus. In this consensus building, individual liberty is essential. The protection of negative freedoms means that people cannot be coerced. In this way it is possible for each person to fully exercise his and her positive freedoms without doing injustice to others.

Recognizing that individuals do differ and that their needs may change from time to time, self-actualization requires the freedom to opt in and to opt out of particular activities and not be driven by community demands. Expanding the range of experience in this way ought to be encouraged so as to assist in individual development and it ought to be recognized that individual development assists community.

To illustrate the significance of the notion of equality, let it be asserted that the one absolute value about which there can be no contention is that a long life is preferred to a shorter life, and correspondingly a healthy life to one of illness. Now suppose an economy with a vast geographical spread. The various regions have different characteristics. They have different industries and occupations. The standards of living experienced by people working in them vary. It can be observed that differences (inequalities) exist, in death rates, in life expectancy at birth, in infant mortality. Not only are there differences in terms of inter-regional averages, intra-regional differences exist amongst the families and children of high paid professional groups and families and children of low paid unskilled workers. Inequalities also exist with respect to access to education, and health, access to a clean environment, recreational facilities, and other amenities.

Now imagine that the people of this economy defined their ‘collective’ goal as the creation of a society within which life expectancy is maximized. In consequence death rates will have to be minimized in each region and amongst all occupational categories. Now suppose death rates were equalized on each comparable scale so that each individual, on birth, had, in this sense, equal life chances on all of these criteria. One could then say that a classless society had been

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52 The relationship between liberty and freedom is emphasized by Crick: “Fraternity without liberty is a nightmare, liberty without fraternity is competitive cruelty, but liberty with fraternity is humanities greatest dream. But if fraternity is hard to find in liberal contexts small wonder that some may seek it in violent actions.” B. Crick, Socialist Values and Time, 23. And if one adds ‘equality’ to ‘man’s greatest dream’ then one has a socialist society.

53 As a corollary of the assertion that life is the one absolute value and a long life is preferred to a shorter life the system ought to generate equal life chances for all. It follows, as a working assumption, that the incomes that support life ought to be as equal as possible -- that only socially justifiable inequalities should exist. In other words the inequalities that are permitted must be justifiable in terms of benefits to society that society could not achieve by any other means.


55 The ‘re-imagined’ society could be taken as Canada or any other including the United States as the heartland of capitalism. Problems involved in making the re-image a reality for the United States may be judged from the excellent article by David J. Lynch, “Dying Dreams, Dead-End Streets,” USA TODAY: International Edition, (Vol. 15, No 5, Monday, September 23, 1996), B10, B9. In similar concerns: “What an irony. Instead of the USA becoming a model to all other nations of prosperity, Freedom from Fear and Want as our founding fathers saw us. Economic practitioners are turning the USA into an emulator of models of poverty and depravity, such as the nations of mid Africa are, with a minority of well-to-do and a majority of starving, destitute people. The current expectation of passage of the Balanced Budget Amendment, is a further step in that direction. Balancing budgets by curtailing spending to match budgets have ALWAYS caused Depressions. If Budgets MUST be Balanced, how about INCREASING the Money Supply, with the measure of how much, being the needs of the ENTIRE population? ‘Inflation’ is myth so long as Food is abundant. Deliberate ‘Price Fixing’ to emulate ‘inflation’ is the reality.” Hyman Blumenstock, <hystock@erols.com>, “Re America, the Self-Critical,” Post-Keynesian Thought Posting, (December 27, 1996, <pkt@csf.colorado.edu>). Also of relevance to the delivery of proper health care is: Associated Press, “Profit, hospitals don’t mix, U.S. politician says,” The Globe and Mail, (Wednesday, August 6, 1997), B7.
created, though people would be different and there would be differences—in the sense of ‘justifiable differentials’ as they each pursued their lives.

Note, however, that the illustration essentially starts people from the same gate, in an abstract setting. But we live in real time and equality requires that we have to deal with existing processes and institutions and the embedded degrees of discrimination that exist ‘beyond the gate’. It is implied that equality, if it is to be achieved, is a life-long effort to remove unjustifiable inequalities for there is clearly no ‘equal starting gate.’ To emphasize, the nature of the capitalist system constantly compounds the problem by creating new unjustifiable inequalities—and, by definition, they have to be generated or capitalism would not be capitalism.

Given the illustration it is pertinent to ask what economic and social policies would be required to move towards greater equality. Note that the goals have been switched from those of capitalism, which has profit as the end, to the goals of the general improvement of the human condition. The policies required to affect these goals are generally ones of expansion rather than contraction. Investment would be required in health and welfare, in residential construction and community infrastructure, in the prevention of illhealth, in the prevention of accidents in the workplace, the home and the community. Investment would be required in the cleanup of environmental hazards and pollutants. Clearly there is significant interdependence amongst the various areas in which unjustifiable inequalities exist. Progressive improvements on one front may have spin-off positive impacts in reducing other problem areas.

The Alternative Economic Strategy — AES

The Overview

This section is a preview of the overall social effects that could be expected from the implementation of a social democratic strategy—an alternative economic and social strategy or ‘AES.’ The political possibility of introducing such a set of proposals is not of concern at this point.

The AES is comprised of specific short and long run measures that are designed to overcome the problems generated by the operation of capitalist economies. Short and long run measures are to be regarded as a total package that, ideally, ought to be implemented simultaneously. There will, of course, have to be staging according to priorities. The staging recognizes that the various components do not operate within either the same or equal time frames and that their impacts are different and in part qualitative. The proposals look towards consensus building based around the fact that all groups, labour, business and government can gain through their implementation.

In preview, labour will be able to gain through reductions in unemployment, increases in job security, an expanded range of employment opportunities, improvements in workplace democracy and more generally through improvements in the more qualitative—the term ‘social wage’ may be used—aspects of the terms and conditions of employment. Additionally, wage increases that advance at least as fast as productivity are possible. A guaranteed annual income or unconditional basic income, UBI, offers the prospects of real freedom, pride and creativity for

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everyone.\textsuperscript{57} For the unemployed and those marginalized by the workings of the capitalist system this is particularly true. Note the UBI concept ought to be, it seems, the starting point for the construction of a social democratic society that is based on the notion of full equality of citizenship.

The great Canadian Dalton Camp advised: “never give up on government because it’s the only thing you really own to get you through this world.”\textsuperscript{58} In terms of a properly constituted AES, government, as the only institution of the people, will gain through an expanded tax base. Therefore the ability of government to raise the revenues necessary to finance its obligations will be obtained without giving rise to the conflicts that increasingly regressive taxes imply in periods of slow or declining growth. The gains of government ought properly to be seen as gains for society as a whole, for federal and provincial governments are the chief institutional means by which the coordination of local, regional and national development initiatives will be facilitated.

In addition to these internal or domestic considerations there is an external or foreign relations aspect of government operations that will be improved. Specifically, with proper implementation the AES ought to achieve greater autonomy—national self-actualization—with respect to other countries. This implies greater independence from capitalist governance and therefore improved ability to deliver on national goals.

The private business sector will gain in the sense of being able to operate in a more secure economic environment. This would be an environment characterized by greater consensus with labour and by an expanded range of investment and profit opportunities. As well, even apart from new investment, larger profits can be expected from the operation of current plant at levels closer to full employment.

To obtain these overall gains there will be structural shifts and loss of autonomy by the private enterprise sector. In some sectors, the resources sector, for example, it may be appropriate...

\textsuperscript{57} Besley, Timothy. "Means testing versus universal provision in poverty alleviation programmes", in \textit{Economica} 57 (1990) 119-29. The Bien Review of this article contains: “Suppose that, with a given budget, one aims to reduce poverty, measured by the number of people whose incomes fall below the poverty line, multiplied by the average difference between their income and this line. Is it then always better - as seems obvious - to restrict transfers to the needy, by paying means-tested benefits to plug the gap between the incomes of the poor and the poverty line? Or is it sometimes better to use the same budget to pay universal benefits to all, rich and poor ? This sophisticated and useful technical paper shows that the latter assertion is the correct one to make. For the take up of means-tested benefits involves a (mainly non pecuniary) cost for the beneficiaries, in terms of time spent queuing, shame etc. Once this cost represents a high proportion of the benefit, a number of poor people stop claiming and those who do claim are not brought up to the poverty line, due to this cost, which is of course not reimbursed. Universal benefits are then superior. The author shows that this admittedly rather high threshold (in terms of cost to the beneficiary) as from which the alleviation of poverty is better served by universal benefits, becomes lower as one further takes into account (1) the administrative cost of means testing, (2) the fact that those claiming means-tested benefits have strong incentives not to earn any income and (3) the non-take up of benefits, especially among the very poorest, due to ignorance or inertia. Moreover, it must be emphasized that the analysis explicitly leaves out any concern with the intra-family distribution of income (unlike universal provisions, means-tested benefits do nothing to alleviate the poverty of housewives in households above the poverty line) and - even more important - the "political economy of poverty eradication" (in particular, the key assumption of a given budget makes no sense: the total amount a country is or would be willing to spend on universal child benefits, for example, is obviously far greater than what it would be willing to spend on means-tested child benefits). Despite these deliberate limitations, the paper provides useful insights into the debate - and (in the reviewer's opinion) all that is needed for constructing a sophisticated and interesting - though carefully qualified - "even if" argument in favour of basic income. See BIEN: http://www.econ.ucl.ac.be/etes/bien/bien.html.

that public enterprise replace private enterprise so as to provide to society the resource rents to be
derived from these primary means of existence. Provincialization, nationalization or socialization
must be recognized as having political implications. The ‘losses’ represent a qualitative reduction
in the power and control wielded by capitalists on behalf of minority and often foreign interests.

In fact, therefore, implementation of social control of industry would set in motion a reversal
of the goals of supply-side, monetarist and raw-corporatist pro-business strategies. Recall that
pro-business strategies (outlined in Chapter 11) look to restructure capitalist authoritarian
relationships. It is argued there is no other way. This argument is patently false. Moreover, the
pro-business argument attempts to perpetuate the myth that social justice is objectively achieved
through the operation of private sector institutions, though in fact this is impossible.

In fact, the market system can be operated without adherence to capitalist principles for
performing market functions does not depend on private sector institutions. (One can run through
the list of public sector institutions that have operated successfully in Canada.\(^{59}\)) The business
sector, therefore, must find an accommodation with greater community control over both major
facets of the capitalist control apparatus …the output and employment (or investment) decision
(and the attendant social costs) and the decision with respect to cost-price relationships. Private
sector independence and control of decisions affecting investment, output and employment must
be bent to community defined needs and requirements. Similarly, cost-price profit relationships
must be affected so that inflation can be more directly controlled. It is important to note that the
AES does not suggest detailed price and output planning. What is implied is the introduction of
price controls when necessary but not necessarily price controls.

The proposals contained in the Alternative Economic Strategy (AES) imply an expanded role
for government in planning investment, employment, and control and direction of large corpora-
tions in Canada, in the sense of setting the broad parameters and a framework of institutions
through which the expansion of the economy can be pursued.

The proposals also imply an expanded role for labour unions and community based
organizations in furthering participatory democracy. In this regard the AES appears as a mixture
of planning and grass-roots participation at the firm, regional and municipal levels. The idea is
that participation, being a sharp break from past practices, must be learned at various levels. The
‘learning’ is best accomplished at the level of the shop floor, or more generally with respect to
the immediate decisions that affect individuals in the work place, the local community, and even
in changing the educational curriculum so as to assure the voices and stories of minority groups
(Native people for example) are heard. At each level the process will become cumulatively more
successful through trial and error and experimentation. The intention is to assure the involvement
in decision making of representatives of all groups and to induce and facilitate the creation of
coalitions that participate in making decisions at the local level. The common ground that various
interest groups find amongst themselves will widen the base of coalitions and strengthen the
communication of local concerns into broader planning processes. In Canada the processes that
have led to the preparation of the Alternative Federal Budget\(^{60}\) by the Canadian Centre for Policy
Alternatives, Cho!ces and with broad based consultation with other organizations, including the


\(^{60}\) See: Choices! And Canadian Centre for Policy Alternatives, Show us the Money! The Politics and Process of Alternative
Ecumenical Coalition for Economic Justice, is clear evidence that what is suggested can be accomplished.

It must be acknowledged that creating participatory democracy would be both a difficult and a lengthy process. Blumberg states:

“The issue, to what extent should workers participate in the management of the enterprises in which they are employed has never really been resolved satisfactorily. It is clearly part of Socialism’s unfinished business. And in this continuing discontent and failure to resolve the issue fully and finally, lies the dynamic for further change and experiment with various forms of workers’ management … The internal dynamics of Socialist ideology itself also seems to point to an ultimate return to the idea of workers’ management. As Socialists are generally committed to the reduction or elimination of class differences, and as class involves inequalities of power as well as inequalities of economic position and status. Socialists are inevitably drawn back to the need to eliminate power inequalities, in industrial as well as political settings: to abolish bureaucratic and unrepresentative industrial (as well as political) hierarchies, to eliminate arbitrary and unchecked authority in industry, to reduce rigid superior-subordinate, command-obedience industrial relationships, and so on. Thus the internal logic of socialist ideology itself tends to point ultimately in the direction of a renewed emphasis on some kind of industrial or workshop democracy.”

G.D.H. Cole, in a now classic study, argued that participation implies equality of status in the sense that there would be “one group of equal decision makers”. In practice, in Canada, for example labour status is legally defined by particular provincial labour relations acts (for example, The Ontario Labour Relations Act). Such Acts provide legal equality of status to the labour union representing workers in a particular bargaining unit. Legal status implies that the employer must bargain with the representatives of the workers and it implies that both parties must bargain in ‘good faith’. Legal status collective bargaining may, however, speed up the process of obtaining true equal status in making decisions. Such status depends on effectiveness at the bargaining table and the degree of modernity of view held by both labour and management with respect to human relations.

It has often been noted that industries that have powerful unions have administrations that deserve them, which is to say, management with very hierarchical and authoritarian decision making structures and practices. This generalization may be appropriate at the state level as well as the industry level. It is certainly consistent with this view, that Great Britain, a society with significant class differences and hierarchical structures, probably also has the most powerful trade union organizations in the world.

In Blumberg’s book (a review of various empirical studies including an examination of the experience of Yugoslavia with forms of industrial democracy) and in the more theoretical work of Pateman, it is held that greater degrees of participation lead to greater efficiency in the sense that output per unit of labour input is higher. Pateman concluded her study by saying:

“In general the evidence shows no obvious serious impediments to economic efficiency that would call into question the whole idea of industrial democracy. In fact much of the evidence on lower level participation gives support to Cole’s view that a participatory system would release reserves of energy and initiative in the ordinary worker as to increase efficiency. But even if some inefficiency did result from the introduction of democratic decision making in industry whether or not this would provide a conclusive argument for its abandonment would depend on the weights given to the other results that could also be expected to accrue, the human results which the theorists of participatory democracy regarded as of primary significance. …[and]…it is only if the individual has the opportunity directly to

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61 A review of radical and right wing literature on the workplace is contained in: M. McPherson, “Efficiency and Liberty in the Production Enterprise: Recent Work in the Economics of Work Organization,” Philosophy and Public Affairs, XII:4(1983), 354-368. McPherson concludes, of course, that efficiency is far from an exclusive concern. Authority, obligation, liberty and consent are also important in the economic sphere.


participate in decision making and choose representatives in the alternative areas that, under modern conditions, he can hope to have any real control over the course of his life or the development of the environment in which he lives … the opportunity to participate in the alternative areas would mean that one piece of reality would have changed, namely the context within which all political activity was carried on. The argument of the participatory theory of democracy is that participation in the alternative areas would enable the individual better to appreciate the connection between the public and the private spheres. The ordinary man might still be more interested in things nearer home, but the existence of a participatory society would mean he was better able to assess the performance of representatives at the national level, better equipped to take decisions of national scope when the opportunity arose to do so, and better able to weigh up the decisions taken by national representatives on his own life and immediate surroundings. In the context of a participatory society the significance for his vote to the individual would have changed; as well as being a private individual he would have multiple opportunities to become an educated, public citizen.65

The evidence on the outcomes that can be expected from improved work-place democracy are of political relevance66 to a social democracy agenda, for, in opposition, there are those who will argue that the capitalist system is as efficient as it is because it is what it is (no matter whether hierarchically organized or like Galbraith’s concentric circles67) and, for this reason, ought to be retained in spite of its other vices. This sort of argument, while implicitly admitting the socialist critique of capitalism (monopoly, alienation and instability), of course, requires trickle down benefits to at least some members of society so as to assure some degree of legitimacy. But it begs questions of social efficiency or the other ‘social costs’ (wastes) created by private enterprises that operate without social responsibility.

Importantly Galbraith argues: the major policy issue is that the way to deal with the power of multinational corporations is ultimately through international authority. “Meanwhile for national governments and national corporations the only answer is a strong framework of rules that align the exercise of corporate power with the public purpose. This is not an exercise in hope and prayer. It is one of the dominant trends of the times. The most profound tendency of the modern corporation, one that is rarely mentioned, is to socialize itself.”68 This it does by disenfranchising the capitalist in the sense of taking power from owners and by making itself socially indispensable.

So in terms of an alternative economic and social strategy the tendencies/transformations that the modern corporation might seem to be undertaking on its own, so to speak, are fundamental to the vision of the governance that is both social and democratic. The point then is that the AES contributes to making that democratic governance vision a reality. What will inhibit realization of social democracy are the forces of neo-conservatism and or fascism outlined in Chapter 12 and

66 They are also of relevance to the results socialists expect to follow from the simultaneous meshing of the value principles of individual freedom, equality and community mindfulness. The result is expanded creativity with the implication of more output per person and with less waste (social costs). Note too, that the political economists evaluative criterion of efficiency, fairness and democracy would be more generally met with the implementation of socialist value principles.
67 Note that John Kenneth Galbraith has said [See: Chapter 9 of The Age of Uncertainty, (London BBC and Andre Deutsch Ltd, 1977), 269] that in for the modern large corporation the notion of hierarchical control ought to be replaced by circles of shared authority amongst managers and staff — with top managers in the centre of the circle. (Owners have no control and can be disregarded.) This suggests a degree of participation is decision making throughout the enterprise. But is the shape of the circles when put together as flat as we might like? Is there more hierarchy present than circles alone suggest. Is it possible (should one hold out the possibility) that the circles of authority have different levels and are linked from the top down in the sense of concentric circles with a Christmas tree shape. The management centre has some height, in other words. This is a small point when put beside the major policy issue that the way to deal with the power of multinational corporations is ultimately through international authority. “Meanwhile [page 277] for national governments and national corporations the only answer is a strong framework of rules that align the exercise of corporate power with the public purpose. This is not an exercise in hope and prayer. It is one of the dominant trends of the times. [and page 278] The most profound tendency of the modern corporation, one that is rarely mentioned, is to socialize itself.” This it does by disenfranchising the capitalist in the sense of taking power from owners and by making itself socially indispensable.
that particularly have found a foothold in the United States where right wing influences spill over into Canada to our detriment. Galbraith’s later expressions of his views on the neo-conservative influences are found, for example, in *The Economics of Innocent Fraud*69 and emphasize the importance of social regulation.

Components of the AES

The main components of the AES are listed in Table 13:1. The points listed are consistent with those enumerated by the United Church of Canada and by the Canadian Catholic Bishops and other progressive writers.

Table 13:1—Components of a Strategy for Social Democratic Control

1. Reflation
   - public spending increases (reversal of spending cuts)
   - expansion of public investment in residential construction
   - progressive tax structure
   - low interest rates
   - unconditional basic income

2. Planned Foreign Trade
   - exports
   - imports and import substitution policies
   - capital movements and foreign exchange controls
   - government procurement policies

3. Economic Planning
   - public and private investment to be linked
   - planning agreements
   - sanctions
   - high tech industries
   - research and development
   - industrial democracy

4. Expansion of the Public Sector
   - resource industries
   - manufacturing
   - banks
   - insurance companies

5. Controls on Prices
   - public price administration; wage led productivity increases

6. Democratization
   - democratic participation in decision making in the work place,
   - the local community and in strategy considerations.

Unemployment, singled out as the most important human problem, is to be reduced, in the first instance, by the implementation of various short-run policies that come under the ‘Reflation’ heading. But longer-run policies will also reduce unemployment. Such longer-run policies include planned foreign trade, expansion of the public sector and economic planning. The longer-run measures look to restructure the economy so as to create a greater degree of self-sufficiency and independence in the pursuit of national objectives.

Table 13:272 reproduces a comparable ‘Economic Bill of Rights’ which, in emphasizing human rights and democracy, places explicit attention on majority control of local and national economic and social decisions. This contents of this table and the more industrial and macro-based Table 13:1 are consistent with the articles of United Nations Declaration of Human Rights.

Table 13:2—A Social Democratic Bill of Rights

<table>
<thead>
<tr>
<th>I—Right to Economic Security and Equity</th>
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</thead>
<tbody>
<tr>
<td>1. Right to a decent job.</td>
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<tr>
<td>2. Solidarity wages, comparable pay and equal employment opportunity.</td>
</tr>
<tr>
<td>3. Public child care and community service centres.</td>
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<tr>
<td>4. A shorter standard work week and flexible work hours.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>II—Right to a Democratic Work Place</th>
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<tbody>
<tr>
<td>5. Public commitment to democratic trade unions.</td>
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<tr>
<td>6. Worker’s right to know and to decide.</td>
</tr>
<tr>
<td>7. Democratic production incentives.</td>
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<tr>
<td>8. Promoting community enterprises.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>III—Right to Chart Our Economic Futures</th>
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</thead>
<tbody>
<tr>
<td>9. Planning to meet human needs.</td>
</tr>
<tr>
<td>10. Democratizing investment.</td>
</tr>
<tr>
<td>11. Democratic control of money.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>IV—Right to a Better Way of Life</th>
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</thead>
<tbody>
<tr>
<td>15. Reduced military spending.</td>
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<td>17. Good food.</td>
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<tr>
<td>18. A national health policy.</td>
</tr>
<tr>
<td>19. Lifetime learning and cultural opportunities.</td>
</tr>
<tr>
<td>21. Community corrections and reduced crime control spending.</td>
</tr>
<tr>
<td>22. Community needs information and reduced advertising expenditures.</td>
</tr>
<tr>
<td>23. Equitable taxation and public allocation of resources.</td>
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</tbody>
</table>

The following discussion places emphasis on the logic of the overall strategy and the connections amongst various ideas.

Reflation: The first policy measures to be implemented under an alternative economic strategy are those that would reflate the economy. Reflation, most simply, means putting in place policies that will rapidly boost output, employment and living standards. Reflation implies increasing government expenditures and the finance of those expenditures through the Bank of Canada.

Under pro-business policies unemployment has been deliberately created in the name of appropriate capitalist restructuring. Reflationary policies would do the opposite.

Short-run reflationary policies call for an expansion of public sector expenditures under two main types of accounts. First, on the whole range of so-called soft social services that have been subject to underfunding and cutbacks. Second, on residential public housing. Both sorts of expenditure have rapid impacts because they involve labour intensive occupations. They can be

put in motion quickly—that is without the delays that would accompany capital investment in plant and equipment.

The social service accounts include education, from infant child-care through university, and it includes health, welfare, and other human support service-expenditures. These areas are labour intensive and such expenditures promise to quickly boost current employment and reduce under-employment and unemployment in these areas. Pressure will generally be placed on labour supplies.

The construction sector, too, can be turned up quickly. The needed resources exist in almost all communities. But, as important, there are chains of suppliers (backward linked industries) that, finding inventories falling, will be induced to issue new orders and therefore multiply the original effects.

On both accounts then, a multiple expansion of income and employment will be generated. The quantitative and social impacts of an increased level of government expenditure will be large and positive.

It is argued, particularly by politicians who agree with, or at least do not have the will to oppose, the pro-business lobby, that it is not possible to expand the social service side of the economy because the government cannot afford it. “The Government does not have the money.” Apart from the fact that the government can always find the money for the things it wants to undertake, the correct view exists that expanding expenditures without having at hand the immediate revenue requirements will either create or increase a government deficit.

But the real issue is that the operation of capitalism, including the dictates of the international financial community, on Canada’s economy constantly puts pressure on Governments to conform to the role that the capitalist system is providing. The pressure is to make cutbacks in expenditures and social programs part of a general attempt to solidify capitalist governance.

But the social economist ought to reply that the evidence is that the deficit can be made to not matter—and that reforming and changing capitalism to conform to the real needs of the people is the direction that ought to be taken for moral, justice and economic reasons. This social argument also represents a form of pressure on governments for it forces not merely a recognition of the real and effective governance over governments that is possessed under raw market-power corporatism led by capitalist institutions but suggests doing something to install true democracy.73

That the deficit can be thought of as not a problem is an idea supported by the data provided by Calvert, Bowles et.al., and the arguments of many others.74 The simple point is that revenue needs can always be financed by borrowing from the Bank of Canada or through monetization of the national debt. Monetization of the national debt means selling securities to the Bank of Canada. In the process interest rates can be predetermined at any level, including zero per cent. This means that the real deficit, the interest payments on the debt, can be handled by proper monetary policy controls on the Bank of Canada by the federal government. So, the governments

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of Canada, both provincial and federal, taking a Canadian community minded perspective as opposed to what is dictated by the international financial institutions, ought to set about generally trying to employ the following simple headed rule: *never borrow abroad, never borrow from the chartered banks, and always borrow from the Bank of Canada at low rates of interest.*

In an under-employed economy the normal economic argument is that increased expenditure by governments at all levels, is ‘just what the doctor ordered.’ To argue about the size of the deficit or the growth of government expenditures seems irrelevant, immoral and diversionary when placed in the context of these social needs.

The argument ought to be that increased government expenditures can be self-financing domestically. This is because increased expenditures widen the tax base of both labour and property incomes. With a higher level of economic activity tax revenues will automatically be higher.

Pro-business ideologists sometimes argue that large government borrowing requirements are likely to make it costly and difficult for the private sector to borrow needed funds. This idea is known as ‘crowding out.’ It is a weak argument because private sector investment tends to take place from retained earnings. In a depressed economy, since little in the way of leverage can be expected from private fixed capital formation, public sector expenditures are required. ‘So instead of ‘crowding out,’ there is, on the supposition that the level of activity varies with effective demand, a ‘crowding in’ effect—the savings available for private investment will vary in direct relation with the PSBR (public sector borrowing requirement) and not in inverse relation.’

The argument ought to be, therefore, that far from ‘crowding out’ private sector activity, the expansion of the public sector pulls the private sector to higher levels of activity and profitability. In association interest rates can be controlled and held at levels that would not provide inducement to firms to hold reserves in interest yielding forms. That is the profitability of real investment (job related) expenditures by private firms will increase.

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75 A progressive approach to coming to grips with the monetary questions including financial speculation is provided in detail in Chapter 5 of: J. Dillon and ECEJ, *Turning the Tide: Confronting the Money Traders,* (Ottawa: Canadian Centre for Policy Alternatives, 1997).


77 A comparison of the Classical Keynesian and Bastard Keynesian models is provided in Table 1 of: L. Turgeon, *Bastard Keynesianism: The Evolution of Economic thinking and Policymaking since World War II,* xiii-xiv. Turgeon’s description of the Classical-Keynesian argument seems to be entirely consistent with the arguments that have been presented in this text. Moreover, the critique of supply-siders and monetarist arguments given here are reflected in his listing for Bastard Keynesians (a term coined by Joan Robinson in 1962 to describe postwar economic policy and its administration. The components of the Classical Keynesian position outlined there are: “1. Advocates movement toward “euthanasia of the renter;” 2. Treats bankers as a “special interest group,” one that should be neutralized; 3. Regards unemployment of labour and capital as the principal economic problem. Worries about deflationary tendencies; 4. Regards saving as a passive variable and accepts the “paradox” of
The record of tax regressivity that has occurred in Canada since 1968 illustrates the class biases of neo-conservative and neo-liberal government’s fiscal management in favour of the wealthy. The increased regressivity has transferred incomes from the poor to the rich and has therefore shifted the burden of taxes onto the shoulders of those least able to pay. The trend has been given the label “tax reform” and has been accentuated since 1984 when the Conservative government came to office. “The only true beneficiaries of tax reform [however] are the corporate sector, and wealthy taxpayers …” 78 And as the rich have benefited poverty has increased. 79

A regressive tax structure is the opposite of what Keynesian economics suggests is appropriate. What ought to be done in conjunction with reflationing the economy through increases in public expenditure is to make the tax system more progressive by switching the burden of the tax back onto the rich. The slogan ‘make the rich pay’ in fact makes a great deal of common sense in Keynesian terms. In technical terms what ought to be done is reduce or remove taxation on those individuals with high MPC’s (the introduction of a guaranteed annual income 80 is a logical extension) and shift the taxes onto those with high MPS’s. Saul (1996 Hagey Lecture) and others argue that governments should reverse the long run fall in corporate income tax rate.


80 Part of the rational for the notion that everyone should benefit from the advances made in technological change is contained in G. Alperovitz, “Distributing Our Technological Inheritance,” Technology Review, (October, 1994), 31-36. There is a conception of society as an organic whole. We are not just a bunch of individuals who happen to live in the same space of time, more or less. Alperovitz suggested that Bill Gates, one of the richest men in the world owes about 94-96% of what he has accomplished to preceding work, much of that work being done by government investment. So generally the society at large within which he, Bill Gates, (and all the rest of us) lives and works can take the credit for his (our) accomplishments to that extent. Another way of making the point is the following. In Prague to get to the castle at the top of the hill one either walks up a height of about 500 feet or one takes an electric tram. Whether one walks or rides one gets to the top of the hill easier now days than in the year 1000 because of the past contributions made by others and not solely because of one’s own efforts. This is an embodied labour, embodied society concept of some sort which I suppose makes society an organic whole. See also: J.E. Meade, Full Employment Regained? (Cambridge: Cambridge University Press, 1995). P. Van Parijs, Real Freedom for All: What (If Anything) Can Justify Capitalism? (Oxford: Clarendon Press, 1995). P. Van Parijs, ed., Arguing for Basic Income: Ethical Foundations for Radical Reform, (London: Verso 1992).
This will require international cooperation, and supports Galbraith’s notion (1977 *Age of Uncertainty*) of a greater degree of international governance.

Note that this suggestion opposes the supply side position that argues that increased savings are necessary for investment. Here, however, the argument is that expenditures ought to be boosted and that the necessary savings will be obtained as a by-product of the multiple expansion of income. Most importantly, under this post-Keynesian logic, people will be better-off, while under the supply-side logic they are worse off.

Table 13:3 contains simple models for a closed economy as an illustration of the Keynesian/Kaleckian logic entailed in “making the rich pay.” In 1997 the United States organization calling itself *Responsible Wealth* and comprised it seems only of individuals with income within the wealthiest top 5% and therefore of individuals one would normally consider to be on the ‘right’ of the political spectrum would seem to generally agree with the logic of the argument advanced in shifting the burden of the tax to those of wealth and with the largest savings pools from those who do the work and who have shouldered the greatest tax burden. 81

**Table 13:3—Part A—Basic Model with ‘No Government’**

Part A of Table 13:3 outlines a basic model of savings and investment. The determinants of consumption and savings are rooted in the distribution of income and in the power that capitalists have in running the economy through the decision to invest. The wage share in income is $k = 0.6$, the profit share is $1 - k = 0.4$.

---

Table 13:3—Reflation: Shifting the Burden of Taxes onto Unearned Incomes

<table>
<thead>
<tr>
<th>Part A</th>
<th>Basic Model, No Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y = C + I; S = I</td>
<td></td>
</tr>
<tr>
<td>C = C_W + C_S</td>
<td></td>
</tr>
<tr>
<td>W = k.Y; e = (1 - k).Y</td>
<td></td>
</tr>
<tr>
<td>C = k.Y + e(1 - k).Y</td>
<td></td>
</tr>
<tr>
<td>I = $100b</td>
<td></td>
</tr>
<tr>
<td>k = 0.6; e = 0.5</td>
<td></td>
</tr>
<tr>
<td>s.Y = I</td>
<td></td>
</tr>
<tr>
<td>s = 1 - [k + e.(1 - k)]</td>
<td></td>
</tr>
<tr>
<td>s = (s/).Y = 0.2</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part B</th>
<th>Taxes on Workers Alone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y = C + I + G; S + T = I + G</td>
<td></td>
</tr>
<tr>
<td>C_W = W - t*.W; C_S = e</td>
<td></td>
</tr>
<tr>
<td>C = k.Y - t*.k.Y + e.(1 - k).Y</td>
<td></td>
</tr>
<tr>
<td>I = $50b</td>
<td></td>
</tr>
<tr>
<td>T = t.Y; t = T/Y = 0.1</td>
<td></td>
</tr>
<tr>
<td>t* = T/W</td>
<td></td>
</tr>
<tr>
<td>(s + t).Y = I + G</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part C</th>
<th>Taxes on All Profits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y = C + I + G; S + T = I + G</td>
<td></td>
</tr>
<tr>
<td>C_W = k.Y; C_S = e - t**.e</td>
<td></td>
</tr>
<tr>
<td>C_S = e.(1 - k).Y - t**.e.(1 - k)Y</td>
<td></td>
</tr>
<tr>
<td>t** = T/</td>
<td></td>
</tr>
<tr>
<td>Y = [1/(s + t)].[I + G]</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part D</th>
<th>Taxes on Profit Saved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Y = C + I + G; S + T = I + G</td>
<td></td>
</tr>
<tr>
<td>C_W = k.Y; C_S = e.(1 - k).Y</td>
<td></td>
</tr>
<tr>
<td>t*** = T/s</td>
<td></td>
</tr>
<tr>
<td>Y = [1/(s = t)].[I + G]</td>
<td></td>
</tr>
</tbody>
</table>

Workers are employed to work with capital equipment in a state of technique defined by N/K = 1, and Y/N = C/N_c = I/N_i = 1, where N is employment of labour, K is capital employed (number of machines), Y is net-national income or output, C is consumption sector output, I is investment sector output, N is total employment, N_c and N_i represents employment in the two commodity producing sectors, respectively. Given these assumptions, one man working with one machine produces a unit of output, sixty per cent of which is claimed by the worker as his share, while forty per cent is claimed by the capitalist as profit.

Workers spend all they get so that their marginal propensity to consume is: MPC_w = 1, and, therefore, workers’ marginal propensity to save is: MPS_w = 0.

Capitalists, though, spend and save. Profit is split amongst capitalist’s consumption C_[I] = [I]^c and savings [I]^s. (Thus: [I] = [I]^c + [I]^s, and [I]^s/[I] = e = 0.5, and, of course, [I]^c/[I] = 1 - e = 0.5.
### Table 13:4—Sectoral and National Accounts for a Hypothetical Two-Sector Economy

<table>
<thead>
<tr>
<th>Output</th>
<th>Wages</th>
<th>Profits</th>
<th>Profits Saved</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>Wc</td>
<td>c</td>
<td>e</td>
<td>s</td>
</tr>
<tr>
<td>400</td>
<td>240</td>
<td>160</td>
<td>80</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>Wm</td>
<td>m</td>
<td>e</td>
<td>s</td>
</tr>
<tr>
<td>100</td>
<td>60</td>
<td>40</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Accounts Totals:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Y</td>
<td>W</td>
<td>e</td>
<td>s</td>
<td>N</td>
</tr>
<tr>
<td>500</td>
<td>300</td>
<td>200</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Parameters: \( \frac{W}{Y} = k = 0.6; \) \( \frac{Y}{Y} = (1 - k) = 0.4; \) \( \frac{C}{N} = 1; \) \( \frac{I}{N} = 1 \)

It follows, that for the economy in total, the consumption function (that is C sector output as it is consumed) is composed of workers consumption and capitalists consumption: \( C = C_w + C_\Pi \) where \( C_w = W = kY, \) and \( C_\Pi = e\Pi = e(1 - k)Y. \) It follows that: \( C = kY + e(1 - k)Y, \) or numerically \( C = 0.8Y. \) Note this also implies that: \( S = (1 - e)(1 - k)Y = s.Y = 0.2Y. \)

The model can be solved as: \( Y = (1/s)I, \) where \( (1/s), \) is the usual multiplier. The multiplier implies that out of a unit of output or income only 0.2 is available for savings. Therefore, to achieve a given savings objective to ‘finance’ investment, output must be 5 times higher than that level of investment.

If it is specified that capitalists will run the economy at levels of output and employment consistent with a level of autonomous investment of, say \( I_a = $100b, \) then:

\[
Y = mI; \text{ where: } m = 1/s = 1/0.2 = 5 \\
\text{and with } I = $100b \text{ then} \\
Y = 5(100) = $500b
\]

This means that: \( S = I = $100b \)

---

82 Since \( c + s = 1, \) it follows that \( s = 1 - c = 0.2. \) Alternatively this can be obtained from: \( s = (1 - (1 - c)) = 0.5 \times 0.5 = 0.2. \)
With \( I = $100b \), during the production period the economy has generated savings of just this amount for \( S = $100b \). Consumption is therefore, \( C = $400b \).

The national wage bill is \( W = $300b \), and is divided between wages paid to workers in the C-sector of \( W_c = $240b \), and wages paid to workers in the I-sector of \( W_I = $60b \).

All of C-sector output is consumed, $300b by workers and $100b by capitalists. Capitalists also receive $100b which is the expenditure out of savings necessary to purchase the $100b units of I-sector output that has been produced. So, a simple view of this model is that investment expenditure causes savings to be made and, as well, that workers spend everything that they get, while capitalists get everything they spend and in fact, at some stage, get everything that is spent. Workers got $300b, capitalists got $200b, but capitalists, by definition, will also get what workers spend. What workers spend provides an essential and the most significant drive for the material well being of economy and society.\(^{83}\)

The sectoral and national accounts are displayed in Table 13:4. Note that the linkage between the C and I sector is given by the fact that I-sector workers and capitalists must consume C-sector output. Just as in the Mill-Marshall model there must be a mechanism to transfer 80 units of C-sector output to the I-sector to assure the support of non-farmers. The 80 units in C-sector output that is transferred is accomplished using I-sector issued Bills or, in effect, IOUs which promise to deliver 80 units of I-Sector output to C-sector capitalists. Those bills must be discounted with an implicit interest rate established in the same way that the spread established between face values and purchase prices for government securities sold at the weekly auction of Canadian Government securities defines an interest rate.\(^{84}\) In this connection note that the machine producing sector’s (the I-goods sector) accounts are split so as to show that the profits earned in the C-sector, of 80 units takes the form of orders for new machines (or bills). In turn the 16 units of profit saved in the production of these 80 machines \( \prod_n \) is used to support 20 additional workers who produce 20 machines for delivery within the I-sector itself. In the process of producing 100 machines all the corn or C-sector output has been consumed. This means that the amount of profit shown as saved is in effect the book value of the 100 machines produced on the basis of 80 corn units of C-sector output expropriated by I-sector capitalists to support their non-farm production.

The moral to this story is known to all business-men. If business is to make a profit someone must be spending. If there is no expenditure there will be no profit. It might be helpful to remember this conclusion when pro-business ‘strategists’ argue for cut backs in the social expenditure accounts. Such cutbacks will inadvertently hurt private enterprise for at some point business gets everything that is spent (and will lose what is not spent).

Table 13:3—Part B—Taxes on Workers Alone

In Part B of Table 13:3, the parameters of the basic model, \( k \) and \( e \), are the same as in Part A. Now, however, an ostensibly democratic government is introduced into the game. The government taxes and makes expenditures. Total tax collections are represented by \( T \), where \( T = tY \).

The average rate of tax is \( t \) and is arbitrarily set at \( t = 0.1 \). Autonomously given Government expenditures are represented by the symbol \( G \). Here \( I = G = $50b \) (that is \( I + G = $100 \)).

---

\(^{83}\) Note the rate of exploitation in this. The rate of exploitation is defined as the surplus divided by the wage bill. Thus: \( r_c = (Y - W)/W = 200/300 \) or 2/3. This implies that out of every 5 units of output workers get 3 units, or 60%, while capitalists get 2 units, or 40%. The rate of exploitation, or, more generally, rate of surplus, is a descriptive device applicable in any economy. The rate of exploitation is also: \( [(Y)/W]/[W/Y] = 0.4/0.6 = 2/3 \).

\(^{84}\) Spread = FV-PP. Where FV is face value or value on redemption of a Bill and PP is original, discounted, purchase price.
If all taxes are paid from wages the effective tax rate on workers is $t^*$ and is to be distinguished from, $t$, the nominal tax rate paid on total national income. The nominal tax rate is set at $T = 0.1Y$, the effective tax rate is $t^* = T/W$, or $t^* = 0.1Y/0.6Y = 0.17$. This means that workers pay $0.17 out of every dollar they earned because profits are exempt from tax.

It follows that the consumption function for the economy is now $C = C_w + C_{\Pi}$ where $C_w = W - t^*W = kY - t^*kY$. Numerically this means the consumption function is $C = 0.698Y$ (say, $C = 0.7Y$). From this, since $(c + s + t = 1)$, it follows that $s = 0.2$ as before. This means the imposition of taxes on workers alone has not touched the proportion of capitalists’ savings in income.

The multiplier, in consequence, is: $m^* = (1/(s + t)) = 3.33$. The level of income consistent with this is $333b$, and $S = 66.6b$ while $I = 50b$, $T = 33.3b$ and $G = 50b$. Note that: Taxing workers causes unemployment and poverty for employment has dropped from 500 workers in Part A to 333 workers in Part B.

In terms of deficits and surpluses, it is clear that capitalists have savings in excess of their investment, $S - I = 16.6b$, while government has a deficit of just that amount, $G - T = -16.6b$. The accounts of the economy are, however, in balance, for savings and taxes just match investment and government expenditure. Note that it is implied that government has to borrow from the private sector to cover the deficit.

The moral of this story is that when a government deficit exists, one should not transfer public funds from the treasury to the private sector. As a corollary it is also the case that one should not cut back well-spent sums from the social expenditure accounts so as to transfer public funds to the private sector through tax breaks, or subsidy-incentives, for example. If government must borrow the suggestion made above to borrow from the Bank of Canada rather than the chartered banks is freely available.

In fact the transfer should be the other way, from the private sector to the government. In the context of this model, the current deficit can be financed by a transfer of funds from the private to the public sector through the government borrowing the funds needed by selling bonds or treasury bills to the private sector. Note, also, that the Government could borrow from its central bank (at low rates of interest) thus leaving the private sector with its surplus.

### Table 13:3—Part C—Taxes on Profits Alone

In Part C of Table 13:3 the incidence of the tax is shifted from workers to capitalists. In this case the tax must be paid from profit alone leaving all wage income exempt. The effective tax rate is $t^{**} = T/P = 0.1Y/0.4Y = 0.25$. The consumption function is now:

$C = W + \Pi^c - t^{**}\Pi^c$, or  
$C = kY + e(1 - k)Y - t^{**}e(1 - k)Y$  
or $C = 0.75Y$

Again, since $(c + s + t = 1)$, then $s = 1 - (0.75 + 0.1) = 0.15$. The multiplier is now 4, and the level of income, (higher than it was in Part B), stands at $Y = 400b$. It is, therefore, the case that making the tax system more progressive results in a higher level of output and employment.

In this example, capitalists still end up with more savings than needed to finance investment, $S = 60b$ while $I = 50b$. Tax revenues have increased to $T = 40b$ while $G = 50b$. The government deficit has therefore fallen somewhat from $16.6b$ to $10b$. The system again
generates the finance of the deficit as the excess of savings over investment which is just the deficit on the government side. This was true in Part B of the model as well.

Note that in shifting the burden of the tax to profits and away from wages the level of employment has risen. But it is still not as high as it was in Part A.

**Table 13:3—Part D—Taxes only on Profits Saved**

In Part D, just to emphasize the point, the tax burden is shifted entirely onto savings. The effective tax rate is now: $t^{***} = \frac{T}{\bar{I}} = 0.1\frac{Y}{0.2Y} = 0.5$.

The consumption function is as it was defined in Part A of Table 13:3 because neither $C_w$ nor $C_I$ has been affected in terms of parameter structure. So $C = 0.8Y$, $S = 0.1Y$ and $T = 0.1Y$. Now with $I = G = 50b$, the income level is $Y = 500b$. Output and employment have again increased to higher levels and the budget has incidentally been balanced with $T = G$ and $S = I$. ($S + T = I + G$). The respective budget balances on private sector and public sector accounts are summarized in Table 13:5.

Nothing of any consequence should be inferred from the existence of a balanced budget. It results from the parameters of the model and the fact that investment, $I$, and, government expenditures, $G$, are each equal to $50b$. If, for example, $G$ had been $70b$ rather than $50b$, a government deficit would have existed, a deficit that would still find its finance in the excess of savings over investment because of the existence of a private sector savings surplus. A government surplus can be generated by reducing government expenditure (say to $45b$—or to any level less than $50b$). But the success of such an attempt depends on capitalists maintaining the level of investment expenditures. Merely maintaining investment while the $G$-sector declines causes unemployment. Maintenance of employment levels calls for increases in private sector investment expenditures when $G$-sector expenditures contract. Uncertainty makes prediction hazardous. Note the real world implication that if the private sector governance is weak with respect to new $I$, (i.e., is doing little) and nevertheless is forcing a shift in the burden of tax to those with low MPCs and reducing $G$ the consequences for labour and society may be disastrous.

These models are rudimentary and run in terms of autonomous investment and government expenditure. More complex specifications would yield different numerical results. No matter how complex, however, the general conclusions are still valid. Making the tax system more progressive by shifting the burden onto those most able to pay has positive output and employment consequences.

It is sometimes argued that if the burden of the tax is placed on capitalists and it is ‘too heavy,’ they may go on strike.\(^85\) The model suggests that, in this event, the equivalent results (higher employment) could be maintained simply by government increasing the level of public investment or current consumption expenditures. In short the mechanical operation of the system does not depend on capitalists.\(^86\)

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\(^85\) Note the parallel of capitalists going on strike with the fictitious story of Ayn Rand’s ‘Atlases’ running off to the technical gadgetry of their secret hideaway.

\(^86\) In more complicated models, investment, for example, may be specified as having an induced component. Say $I = I_a + by$, where $b = 0.05$. The multiplier is now $m^{**} = \frac{1}{(s + t - b)}$. The numerical size of the multiplier is 6.67 with the consequence that given levels of $I_a$ and $G$ mean even higher levels of income and employment.
Table 13:5—Budget Balances in the Models in Table 13:3: Upsetting Supply Side ‘Logic’ Using Basic Keyensian/Kaleckian Tools

<table>
<thead>
<tr>
<th>Basic Model of Capitalist Governance</th>
<th>Taxes on Workers</th>
<th>Taxes on Profits</th>
<th>Taxes on Profits Saved</th>
</tr>
</thead>
<tbody>
<tr>
<td>I = 100</td>
<td>I = G = 50</td>
<td>I = G = 50</td>
<td>I = G = 50</td>
</tr>
<tr>
<td>S = .2Y</td>
<td>T = .1Y</td>
<td>T = .1Y</td>
<td>T = .1Y</td>
</tr>
<tr>
<td>Y = 500</td>
<td>I + G = S + T</td>
<td>I + G = S + T</td>
<td>I + G = S + T</td>
</tr>
<tr>
<td>I = S = 100</td>
<td>I = 50; S = 66.6</td>
<td>I = 50; S = 60</td>
<td>I = 50; S = 50</td>
</tr>
<tr>
<td>G = 50; T = 33.3</td>
<td>G = 50; T = 40</td>
<td>G = 50; T = 50</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Private Balances in Accounts</th>
<th>Private Surpluses</th>
<th>Public Deficit</th>
<th>Public Borrowing</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Public Deficit</td>
<td>No Public Borrowing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Public Borrowing</td>
<td>Borrowing = 10</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Borrowing = 0</td>
</tr>
</tbody>
</table>

Some Comments on the Summary Results of the Analysis

The moral of this story is that the harder capitalists have to work to generate the savings they need the better off is everyone in the system. Capitalists ‘working harder’ is captured by the successive reductions in ‘s’—from 0.2 to 0.15 to 0.1—in shifting the burden of taxes from workers onto profits and finally onto profits saved. Correspondingly, that everyone is made ‘better off’ is captured by the increase in output and employment—from 333.3 to 400 to 500.

The model holds I = G constant. ‘Capital’ may go on strike if the burden of taxation is shifted to capitalists shoulders. In this event, holding expenditures constant would seem to imply the need for enlarged public ownership of the means of production or existence. Specifically this implies a willingness on the part of public authorities to govern in ways that do not entail succumbing to capitalist’s bribes or threats.

One may interpret the reduction in I to 50 as between the Basic Model and the model in which all taxes are paid by workers as being a stage of immaturity—in the sense of incompleteness—on the part of the public sector. It is as if the public sector took over half the responsibility for system investment expenditures; and, let it be assumed, had acquired in doing so half ownership in the means of production. If I went to zero, maintenance of employment at any level would require off-setting increases in public expenditure, and implicitly, public ownership.

The model assumes a state of technique in which: Y/N = C/Nc = I/Ni = 1. This is a control simplification that implies that k = w; where: k = W/Y, and w = W/N.

In a recession it is probably appropriate to use a model in which I_a is autonomous. This is because in a recession, with excess or idle capacity, there is a weak, if any, inducement to add to capacity. When, subsequent to the introduction of an expansionary fiscal policy, full capacity is reached, the inducements to add to existing capacity would be increased.

This model provides a base for understanding the empirical results observed by Peterson and Estenson (see Chapter 11) in determining whether a short-run ‘recovery’ in the United States was supply-side led or whether it was of the old-fashioned Keynesian variety. It can be recalled that the ‘old fashioned’ explanation prevailed. The Keynesian explanation was dominant because consumption and residential investment led the recovery while private fixed capital formation, if anything, lagged and at times, as Peterson and Estenson indicate, even retarded expansion.

In these simple terms the logic of what can be expected from a policy of reflation is clear. The problems of implementation, however, are neither of logic nor of economic feasibility. They are rather problems of political will and ideological commitment to reliance on private enterprise.
efforts to boost I—a rather than Government to boost current expenditure G and fixed public investment I_g. The desire to have private enterprise do the job is unlikely to bring the most positive results, indeed, may “retard expansion.”

But it should not be inferred that mere boosts to consumer demand operating either through tax reductions or indirectly through the multiplier consequences of increased government expenditures will be adequate to handle the structural problems of the Canadian economy. The composition and character of the new investment that is needed makes total reliance on such short-run policies inappropriate. Rather, high technology investments that will make domestic industry competitive with imports and hopefully reduce dependence on exports is required. This calls for a long-run strategy to parallel the short run reflationary measures. Greater government involvement is not the question, it is the imperative. The real questions are how to ensure social control so that all will benefit from public expenditure and public participation in deciding what is to be done.

Reflationary policies in terms of increased expenditures and progressive alteration of the tax structure ought to be accompanied by low interest rate policies. The ‘crowding out’ effect has been touched on. Here, however, concern is with the benefits of low interest rates in the inducement they provide to consumer borrowing to finance residential investment purchases and other high cost items. Low interest rates are also of benefit to small businesses and to the agricultural sector.

A ‘low’ interest rate policy is possible in Canada. This contradicts arguments that have been made by governments and bank officials that interest rates in Canada must inevitably be tightly tied to those in the United States. Rotstein has pointed out that: “…it should be apparent that the Bank of Canada prior to 1978 was the first to sponsor a made-in Canada interest rate policy through its indigenous monetarism. It was also the last to acknowledge that its own version of this policy was not viable.”

In fact the difficulty in pursuing a low interest rate policy in Canada when rates are higher in the United States can be achieved by removing the link between monetary policy and the value of the Canadian dollar. This can be done by allowing the Canadian dollar to fall. If allowed to fall freely it would reach a level that would reflect the real differences in productivity between Canada and other countries.

At the same time, however, control in these terms implies foreign exchange controls so as to prevent the speculative movement of capital funds from what would then be a low interest rate area, to higher interest rate areas.

Throughout the Second World War and down to 1952 Canada did have foreign exchange controls, so capital controls are not a novel suggestion. Controls were operated through the Foreign Exchange Control Board. Nowadays, controls could be designed to limit or prevent speculative flows from responding to higher rates elsewhere. Conceptually the foreign exchange control could be either: (1) a volume control (direct limitation on volume of funds transferred); or: (2) a tax that could be placed on the differential in interest rates that speculative funds were

88 See the arguments of COMER, the Committee on Monetary and Economic Reform, led by J. H. Hotson of the University of Waterloo. COMER’s arguments are found in COMER Comment, Newsletter of the Committee on Monetary and Economic Reform, particularly, (I:1, Summer 1988). See also The COMER Papers, I, (University of Waterloo). The COMER Papers is a compilation of papers presented at the COMER sessions of the Thirteenth Annual Convention of the Eastern Economics Association, Washington, D. C., March 5-7, 1987.
89 A. Rotstein, Building From Within, 12.
90 As I recall these ideas are found in Rotstein, Building from Within.
moving to capture. The tax could be the difference between the low rate established by the Canadian interest rate and that in the United States say, or, more generally, the higher rate prevailing elsewhere. Such a tax would remove the incentive for speculative funds to move abroad and therefore ease the pressures that speculative movements place on the Canadian dollar.\textsuperscript{91}

Calvert pointed out that more stable interest rates and a more stable Canadian dollar could be achieved through a change in the Bank Act that would:

> “... increase the ratio of foreign currency the banks are required to deposit in non-interest bearing accounts with the Bank of Canada. At present, the banks are required to have only 3 percent of their foreign currency holdings in such accounts, while the Canadian currency requirement is 10 percent. Thus the banks have a major incentive to speculate against the Canadian dollar by encouraging their clients to hold foreign currency.”\textsuperscript{92}

In any event the case for foreign exchange control can be taken beyond speculative capital movements to at least question the transfer from Canada of profits earned in Canada. (Reference can be made to the discussion in Chapter 3 dealing with the Current Account of the Balance of Payments).

Canada levies a withholding tax on profit removed from the country. The level of this tax could be increased. While the withholding tax makes it possible for the federal government to gain revenue, a higher rate of tax, it would seem, would induce firms to try to avoid paying the withholding tax by investing in Canada rather than abroad. This would increase foreign ownership but also have the effect of keeping the Canadian dollar at a higher level than it would otherwise, \textit{cet. par.}, interest rate increases would be inhibited and private fixed capital formation promoted.

**Planned or Managed Foreign Trade**

The success of reflation policies is constrained by the fact that the Canadian economy is open. The open economy problem for the Government is accentuated by NAFTA. This means that the effects of reflationary policies will be leaked abroad in expenditures on imported goods and services. Exports of goods and services from Canada contribute approximately forty-five per cent of GNE and are offset by imports of roughly similar magnitude. To the extent that expanded government expenditures and associated secondary demands are met by boosting imports the multiplier impacts on the domestic economy are weakened.

In a simple macro-model this effect can be shown explicitly through the components of the multiplier. Thus in:

\[ GNE = C + I + G + (X - M) \]

if \( I, G, \) and \( X \) are autonomous and \( C = c_a + c_iY \) and imports are \( M = m_a + m_iY, \) then

\[ GNE = \frac{1}{1 - c_i + m_i} [c_a + I + G + X - m_a]. \]


The induced import coefficient, \( m_i \), reduces the size of the multiplier. The impact on income of autonomous changes in imports, \( m_a \), is negative.

As outlined in Chapter 3, Canada’s commodity imports are heavily biased towards fully or chiefly manufactured goods (approximately sixty per cent of commodity imports). End-product deficits exist, particularly with the United States, and they are becoming larger. It seems, therefore, that the Canadian economy is structurally unbalanced. The circle of cumulative causation at this level, unless broken, suggests that Canada must continue to increasingly specialize in resource exports that do not have much employment and value added and from which, additionally, multinational corporations acquire the resource rents which they transfer abroad.

Nationalization, provincialization, and/or taxation and related devices, and, generally, greater domestic control, can handle the resource rent question. But apart from the resource rent question there remains the problem that resource related exports are on a narrow base and have low possibilities of expansion over current levels. In part this is because modern economies are dynamic in ‘knowledge’ industries and not in resource intensive industries. Thus there is a growing tendency for value added in manufacturing industries to put less and less reliance on resource inputs that could be supplied from Canada. In association the employment growth areas of capitalist economies are located in the service sectors. Service sectors, to this stage, provide little in the way of exports. It seems it will become increasingly difficult for Canada to finance imports and maintain standards of living unless substantial investment is made in modernizing the manufacturing sector of the economy.

These facts seem sufficient to make the case for planning foreign trade. But in the Canadian case the facts and the problem are accentuated by foreign ownership and the branch plant structure of the economy. This fact has inseparable economic and political ramifications that may mean that Canada is forever caught in and controlled by the international capitalist web. On the economic side, foreign owned firms seem to have limited themselves to the domestic market and to seek export outlets only when it is consistent with the larger goals of the parent multinational corporation.

Accentuating the problem is the fact that foreign subsidiaries tend to purchase a larger fraction of produced commodity inputs from abroad than do domestic firms. Their input purchases come into Canada as intra-corporate transfers. This gives rise to problems for economic development within Canada for imports of produced commodity inputs reduce the backward and forward linkages that would assist in diversification of the economy.

As well, intra-corporate transfers of produced commodity inputs emphasize what is known as the transfer-pricing problem. The multinational corporations transfer commodities amongst

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93 Canada, The Standing Senate Committee on Foreign Affairs, *Canada-United States Relations, Volume II, Canada’s Trade Relations with the United States*, (Ottawa: Queen’s Printer for Canada, 1978).

94 The United States does export services and is anxious to encourage free trade in services since they are tied to U.S. commodity exports. U.S. success in this area will be another manifestation of the integration of the Canadian and U. S. economies. Note too that United States success at Canada’s expense will promote greater resource dependence in Canada.


96 On the political side, again, the issue is one of sovereignty that recognizes that capitalism and democracy are two contradictory systems of governance. The argument here, and that is implicit in the technical aspects of the AES, is that sovereignty can be assured only through nationalistic policies. In turn nationalism can only be assured through socialism. Since socialism is, in its turn, nothing more than full democracy, to be a sovereign is to be socialist and anti-capitalist.

various plants in different tax jurisdictions so that the tax liabilities of the multinational corporations are minimized; this has a correspondence in a weakened tax base for host governments. Of course this problem also exists with respect to exports of Canada’s resource industries that represent intra-corporate transfers.

For these reasons, planned foreign trade, as an element of long run industrial policy, must come to grips with restructuring the composition of employment activities in favour of high value added industry—that is, in favour of commodities produced by employment in the manufacturing sectors of the economy. Policies to restructure ought to alter the composition of imports so as to reduce expenditure leakages and provide a more secure employment and income generating base to allow the purchase of the imports that are needed.

In these terms a policy of planned or managed foreign trade is not designed as a protectionist policy. That is, its purpose is not to ‘beggar one’s neighbour’ through contractionary impacts. Rather planned foreign trade is a nationalist development policy designed to restructure the commodity composition of trade so as to create a more balanced economic structure and a wider spectrum of employment opportunities for Canadians. The argument is that the base provided by staples alone is too narrow, too weak and too uncertain. This weakness calls for the deliberate creation of dynamic comparative advantages in manufacturing as suggested in the Kaldor-Myrdal model of circular and cumulative causation.

Taken together the implications of planned foreign trade, are resource development, including domestic ownership and control, and a dynamic domestic manufacturing sector that will provide a base to support employment in the service industries. In turn, growth in service sector employment will expand the size of the domestic market and validate the AES as an overall strategy for more independent economic development.

Planned foreign trade must be an import substitution policy. Import substitution policies can take a variety of forms each designed to boost domestic production of import competing products. They may, for example, include direct investment by private and public sector agencies in import competing industries and involve indirect inducements and preferences given to domestic firms. As an example of direct intervention that could be undertaken by the public sector alone or in concert with selected private firms, public sector investment in a mining machinery corporation has been considered one that would lead to significant job creation. But this sort of investment must be considered inadequate to meet future needs. Now, technological planning should be looking towards and even beyond computers and semi-conductors, instrumentation, health and medical and communications and tele-communications.

The main emphasis ought to direct investment to a wide range of modern dynamic sectors. These seem to be electrical engineering, micro-electronics, computer systems, biotechnology and new materials. The transportation sector automobiles and other transportation including aerospace, to list a few.

More indirect but effective measures include government purchase or procurement policies. Under such arrangements all public sector agencies, municipal, provincial and federal

101 The terms of the Canada/United States Free Trade Agreement (and of NAFTA) seem to reverse the developmental policy biases suggested here. Under the FTA, government purchases would be opened up to be supplied by companies based in the other country. Canadian provincial governments have their own intra-provincial government purchase schemes. Successful attempts to remove these biases would eliminate an element of regional policy that helps sustain more balanced regional development.
deliberately bias their purchases of needed materials and equipment in favour of domestic manufacturers and away from imports.

At another extreme an example of an indirect import substitution policy would be ‘content’ legislation\(^\text{102}\) that prescribes a certain percentage of a given commodity’s production using Canadian produced parts and equipment. Content regulations attempt to sway foreign producers to switch production to Canada and to seek domestic suppliers of inputs. This can be paralleled by financial incentives to purchase from domestic producers.

Under the planned foreign trade component of the AES, policies are to be devised to affect the commodity and service account structure of exports of goods and services. Here the argument begins with questioning the necessity of continued reliance on the private sector multinational corporation as the chief development institution. The argument of Kierans, based on the historical experience in the resource industries, can be recalled. Kierans argued\(^\text{103}\) that Canadians have benefited from their staple products, only to the extent of the employment and the daily wage that exists so long as the staple is in vogue. Government resource rents from provincial staples have been minimal. This is because the deals struck with the corporate sector have meant that resource rents have been mainly claimed by the multinational and have been transferred abroad.

Kierans made a case for replacing the private sector corporation with the Crown Corporation. The case was supported in terms of markets, technology and needed expertise, because there was nothing peculiar about the multinational, or indeed the private sector corporation, that would suggest any continued reliance need be placed on them, at least in mining. The private sector, in fact, offers no benefits that could not be achieved through the use of Crown corporations. The Crown corporation device would make it possible to internalize use of the full surplus in excess of the wage bill. With proper planning those surpluses could be invested in regional development.\(^\text{104}\)

The benefits, if properly planned, would see resource conservation—that is, in Innis’s words prevention of “…. the [too rapid] drawing off of her large resources…” and the investment of the surplus over the wage bill in job creation in manufacturing would ‘balance’ Canada’s economic structure regionally and “….serve eventually as protection against over-industrialization in the highly industrialized countries.” In this way the AES answers H. A. Innis’s direction to political economists in this country.\(^\text{105}\)

Kierans’ argument entailed a greater interventionist role for government in the resource sector. But it would be a mistake to regard an export-oriented resource industrial strategy as a panacea for Canada’s structural imbalances. Rather, the major facts of dynamic industrial nations suggest that to build an effective long-run industrial strategy emphasis must be placed on the creation of domestic industries that will replace imports—that is, an “import substitution policy.”

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\(^\text{102}\) This device has been used in the automobile industry. The 1965 Auto Pact required manufacturers to meet a 60% value added requirement on cars sold in Canada. The Mulroney Reagan FTA changed this to a 50% North American content requirement which producers already more than meet. It has been concluded that “…the FTA will make the Auto Pact irrelevant in maintaining our share of North American Automobile production.” H. Mackenzie, “The Automotive Industry,” in: M. Gold and D. Leyton-Brown, *Trade-Offs on Free Trade: The Canada—U.S. Free Trade Agreement*, (Toronto: Carswell, 1988), 290.


\(^\text{104}\) This is the intent of the Alberta Heritage Fund. In fact Alberta has made investments in other provinces with funds taken from the Heritage Fund.

\(^\text{105}\) See the opening page of this chapter.
Within that orientation, planning ought to subject domestic resources to greater processing—so as to increase “value added” and employment opportunities in Canada. So, while the resource policy is important, particularly with respect to resource rents, the proper resource development strategy focuses on forward linkage investment and views exports as merely ‘icing on the cake’.

The planning of our foreign trade is therefore to be addressed to creating greater domestic autonomy and self-sufficiency or internalization of development processes. Fundamentally the issue is that of domestic control versus foreign control, nationalism versus imperialism, and of socialism versus capitalism—that is, of democratic governance versus capitalist governance. Thus, planned foreign trade policies will inevitably run into conflicts with internal and external business power. In such encounters it is the will of the state and the strength of popular support that will be tested. This is an essential and difficult point. It raises, in the guise of the ideological myth of ‘free,’ yet socially irresponsible enterprise, the question of the rights of the individual (or enterprise) versus the rights of the community, or state. The priority of private capital over labour will be asserted and used by pro-business supporters to question social or community control through planning. Grant’s assertion, however, is an apt caution: “the rights of the individual [or private sector enterprise] do not encompass the rights of nations, liberal doctrine to the contrary.”

Recall also that Grant argued: “…nationalism …[has]… to go hand in hand with some measure of socialism. Only … nationalism …“can]… provide the political incentive for planning; only planning …[can]… restrain the victory of continentalism.”

Invariably the test of the will of the state to govern for the common good of all Canadians will see both Ottawa and Washington involved, with the provinces perhaps taking different sides because of the wide diversity of the economic bases and, correspondingly, the interests of the regions. Such is the nature of the problems of Canadian federalism.

An illustration of this point is provided by the political debates that surrounded the National Energy Program (NEP) of the Trudeau government. The major point that emerges from this episode is that the Canadian Government need not have backed down in its pursuit of nationalist objectives in the face of objections from Washington. In short, United States dependence on Canada is a fact that Canadian governments can use to further Canadian objectives of greater autonomy and domestic control. When Washington objects there can be no more certain sign of the appropriateness of government policy to the achievement of goals that are in the interests of Canadians. But again note that what the Mulroney Reagan FTA, and subsequently NAFTA, have done is to provide to the U.S. with effective control of the Canadian energy sector.

It is usually objected that government intervention in the economy will mean inefficiency. It is then asserted that industrial restructuring ought to be left to the private sector. Apart from the fact that after 500 years of private sector domination it is the errors and omissions of the private sector that ought to be ‘restructured’ there is in fact nothing inherently efficient or inefficient about either private or public enterprise. Both can be run badly or well; it depends on management. At the resource level the argument of Kierans finds obvious empirical support in the operations of such public sector institutions as the Potash Corporation of Saskatchewan, and Petro Canada and Air Canada at the national level. Too, public utility corporations exist in each

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107 G. Grant, Lament for a Nation: The Defeat of Canadian Nationalism, 15.
province. The success and desirability of public sector corporations is beyond question in these areas.\endnote{110}

Further, Marsha Gordon, in a study undertaken for the conservative pro-business C. D. Howe Research Institute, concluded her study of the public sector corporation saying that:

\begin{quote}
“...the comparative analysis that were possible show no clear and systematic evidence — after taking into account the policy functions that crown corporations are expected to carry out (such as the creation and/or maintenance of employment, support of research and development activity, and the enhancement of a particular province) — that private companies have consistently outperformed their counterpart crown corporations [they have not].”\footnote{111}
\end{quote}

The last point that will be made on this aspect of the AES is that the Crown Corporation seem not been used to further the ends of industrial democracy as desired by socialists, Church groups and as supported by the theoretical work of Pateman and empirical studies such as that of Blumberg. But Crown Corporations are institutions within which such principles ought to be put in place. Crown corporations ought to be model corporations internally and in the fulfillment of their specific social objectives. It seems one ought not rest content with Galbraith’s observation, noted earlier, that “The most profound tendency of the modern corporation, one that is rarely mentioned, is to socialize itself.”\footnote{112} This it does by disenfranchising the capitalist in the sense of taking power from owners and by making itself socially indispensable.

\section*{Institutional Aspects of the AES}

Reflation and planned foreign trade are the most important components of the AES in the sense that they directly come to grips with unemployment, declining standards of living and the structural problems of the Canadian economy. They can provide the framework within which a politically feasible answer can be found to Innis’s charge to economists in Canada to develop a theory and policy that will protect Canada against too rapid extraction of her natural resources and against over industrialization in the advanced industrial nations.

Investment planning and the expansion of the public sector are clearly supporting corollaries as suggested by the items listed in Table 13:1. In socialist terms, planning\footnote{113} and expansion of the...
public sector represent the most important components of the AES for they are intended to replace capitalist by community based socialist relationships in production.\(^\text{114}\)

The processes of economic planning and of linking the public sector in an inter-industry framework emphasizes the integration of resource and manufacturing sectors. But there are other possible areas of social control.

Calvert, for example, outlines the desirability of a government interventionist role in nationalization of the financial sector of the economy. The reasons supporting this are of the sort that generally support public ownership. In this case the chartered banks, as private enterprises, have not been responsive to the needs of Canadians and have not promoted structural balance in the economy. Like other private sector corporations they pursue the profit motive funneling income to them though the interest rates they charge. They contribute to ensure the existence of debt enslaved (cradle to grave) borrowers. The banks seem to increasingly operate as world corporations, without community or social responsibility. As a result, Calvert argues:

“The banks have ignored the impact of their lending decisions on job creation. They have funded overseas investments. They have speculated in real estate, resource extraction and foreign currencies. The Banks have demonstrated little commitment to providing jobs for Canadians, and have been indifferent about whether an investment creates one job or a hundred. Indeed, if the rate of return on a project that creates a handful of jobs is even marginally greater than one which creates hundreds of jobs, the banks have consistently opted for the more profitable venture, regardless of the social and economic impact on ordinary Canadians.”\(^\text{115}\)

Calvert also makes the point that opposition to nationalization of the banks will come from private sector institutions who will feel their power threatened and that they will be replaced by: “Democratic public planning of the Canadian economy, in which priorities other than those of the corporate sector emerge. This is exactly why nationalization is necessary.”\(^\text{116}\)

In short the AES incorporates a strong interventionist role for government in all sectors of the economy—primary, secondary and service. Effective social control will be enhanced by nationalization of the financial sector.

**A Feasible Institutional Framework:**

One definitional view of the morally desirable ‘end-point’ is the replacement of private hierarchical control by public ownership and democratic management. But the issue is not merely ownership. It is what to do with ownership once it is acquired by the people through the state apparatus. Generally the aim ought to be that of making the social relationships of production socialist, rather than capitalist. If Galbraith is correct that the modern corporation is making itself socialist this may help, but not necessarily.

“In economics this has meant a concern with the nature of work, with the division of mental and manual labour, with the question of working time and conflict between capital’s time and labour’s time (to have children, to collect them from school, to have time for meetings or classes, to control one’s own working time rather than being paced by the line, and so on). It means a concern for different segments of the working class, unskilled as well as skilled, women and black people as well as the white male and white-collared workers. It also involves a concern for the use values of production and the diversity of need—with the saving of energy rather than nuclear production, for example, or with


cultural variety and self-production rather than standardized mass consumption. …Socialist strategic planning should be different, both in its aims and in the way it democratizes the process of strategic synthesis. It should not be left to bureaucratic managers, for if there is one thing we have learnt from the experience of post-revolutionary countries it is that non-market centralized planning is a blunt, even brutal instrument. \textit{Decentralized, democratic planning is an idea whose time has come.} \dots The development of new skills, of management, strategic planning and open discussion, the establishment of new types of social accounting and a culture of social creativity—all these take time, and involve a great trail of errors and false starts.\textsuperscript{117}

Generally, to keep the issue simple, in both private and public sector institutions rules should, as much as possible, promote decision making by ‘democratic management’. Such implementation would go beyond Grant and Innis, and short-run Keynesian considerations, to fulfill the definition of a socialized economy as one \textit{“\ldots in which our natural resources and principle means of production and distribution are owned controlled and operated by the people”}.\textsuperscript{118}

This prospect may seem remote. More optimistically, Selucky\textsuperscript{119} and Nove\textsuperscript{120} have outlined a feasible market socialism, which: \textit{“\ldots might be achieved within the life time of a child already conceived \ldots [one in which] \ldots virtually everyone is working, where there are no capitalist employers”}.\textsuperscript{121}

Five types\textsuperscript{122} of managerial-organizational structures are defined as ‘legally permissible’ forms. In fact examples of each of these forms currently exists in the Canadian economy.

The first classification is that of \textit{centralized state corporations}. These are state owned, centrally controlled, and hierarchically managed (possibly with the appropriate Galbraithian caveat) but subject to public scrutiny and supervision. Such enterprises command large financial investments, enjoy significant economies of scale and monopoly positions, and may have high costs of research and development and significant informational requirements.

Self-management by workers is regarded by Nove as inappropriate in these institutions. To compensate an alternative form of ‘socialization of decision responsibility’ is provided. In centralized state corporations, social control of decision making is exercised through a ‘tripartite’ supervision of their managements by government, workers and users of the commodities or services produced.\textsuperscript{123}

In the Canadian case a list of such institutions would include, at the federal level, Canadian National Railways, Canada Post, Air Canada, Petro Canada, the Bank of Canada, the chartered banks and other financial institutions including insurance companies. At the provincial level the list would include enterprises such as Ontario Hydro and the Potash Corporation of Saskatchewan.

Under Nove’s definition, additions to the existing Canadian list would generally enfold the large private enterprises. Included would be other resource corporations particularly in the


\textsuperscript{118} This definition is that of the Canadian Co-operative Commonwealth Federation (CCF) as enunciated in the \textit{Regina Manifesto} in 1933. See the Appendix in: K. McNaught, \textit{A Prophet in Politics: A Biography of J. S. Woodsworth}, (Toronto: University of Toronto Press, 1959).


\textsuperscript{120} A. Nove, \textit{The Economics of Feasible Socialism}. Nove’s proposals are derived from Selucky. It can be noted that Nove’s real contribution is found in his extensive discussion of what is not feasible. This is provided through a critique of Marxist and utopian thinking about socialism.

\textsuperscript{121} A. Nove, \textit{The Economics of Feasible Socialism}, ix, 216.

\textsuperscript{122} Only four of these classifications is of concern here; the fifth: individuals (freelance journalists, plumbers, artists, own account repairmen and the like) is non-controversial.

mining and mineral fuels and forestry industries, some manufacturing firms, and firms in the service sector such as Canadian Pacific.

Nove’s second managerial classification is defined as *socialized enterprises*. These would be decentralized, *state owned* and have *full autonomy and a management responsible to the workforce*. The decisions of socialized enterprises are to be made in the plant by a management appointed by and responsible to the workers. A wide range of capitalist enterprises in the manufacturing, construction and service sectors would be found to fall into this classification—machinery, textiles, breakfast cereals, hotels, are examples given by Nove. The direction taken by such institutions would be market driven with operating decisions democratically determined.

The third category is that of *cooperative enterprises*. Cooperative enterprises are owned and managed by the workers and to this extent are ‘socialized’. Many cooperative enterprises currently exist in Canada. To be consistent with Nove’s legal definition of possibilities it would appear that many existing private enterprises in agriculture, fishing, forestry, many manufacturing industries, construction and in the service sector, would restructure under the co-operative umbrella.

The fourth category is that of *Small-scale private enterprise*, subject to clearly defined limits... determined democratically in the light of circumstance and experience... there is no provision for any class of capitalists; our small entrepreneur works even when employing a few others. There is no unearned income, arising simply from ownership of capital or land. Examples could include worker/owner institutions with few employees; the family farm, restaurants, travel agencies, barbershops, television, dry cleaning establishments, car and other repair shops. When economies of scale support growth in size, such enterprises could be reclassified and take on either the co-operative or socialized form. Clearly the role of traditional private enterprise will be much reduced by the implementation of such proposals; the private sector would be small scale and no longer able to dominate and control the economy and the lives and life chances of workers and others.

The fifth and final classification is that of *individuals*—artists, plumbers, TV repairmen—people who are basically self-employed and do not employ other people.

Overall such proposals, aimed at social control of market driven institutions through improvements in democratic management, would expand and properly monitor the role of centralized state enterprises, expand, through forms of socialized ownership, the role of both independent public (decentralized state enterprises) and private enterprises (defined as cooperatives) and limit private enterprise to small firms employing very few workers. In each case those entrepreneurial and creative individuals would be well rewarded for their contributions to society. There is a trade-off issue to do with individual freedom and constraints that private ownership can entail for society at large. The ‘trick’ is to promote and reward creativity while assuring that its institutional expression does not impact on the negative and the positive freedoms of others.

Since in the Canadian case there are now many existing state or ‘Crown Corporations,’ Nove’s *centralized state corporation* classification seems neither particularly bold nor contentious. Nevertheless, even though it would be in the national interest to bring large and power-

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124 See for example, the 1977 *Canada Year Book*, pages 703, 868-9, 901-2. Cooperatives are involved in production, marketing and purchasing, providing services (such as transportation, housing, dental insurance plans, electricity and gas); there are fishermen’s cooperatives, and wholesale, recreational and financial.


ful private sector corporations (some of which are foreign owned) into what would, in effect, be federal and provincial ‘crown investment stables’, the process would lead to both national and international political repercussions. It is mainly these political and social, rather than economic, problems that require a transition period of a life-time.

**An Institutional—Social Market—Framework for Planning**

The governments of some capitalist economies have, from time to time, intervened in their respective spheres to assure that significant industrial and other sectors of their economies remain in national control. That intervention has seen the creation of new planning institutions. This section outlines an institutional framework for state ownership and, generally, direct market intervention that could be used to assist in plan formation and implementation in Canada. The argument is based on European experience. In fact, the European experience has influenced Canadian federal governments in their response to nationalist demands for an interventionist state role.

Forms of public ownership and government intervention have long been used in Canada. By the mid-1960’s, however, it was increasingly recognized that the market system and reliance on private enterprise and the multinational corporation was inadequate to national ends. Thus, in Britain, France, West Germany, Sweden, Australia and Canada, institutional devices were created that could be used, in varying degrees, to restructure, modernize and bring under national control strategic sectors of their respective economies. (Subsequently, however, with the onslaught of neo-conservative governments, as in Canada and Britain, there have been ‘privatization’ reversals.)

In the European Economic Community, the central agency’s 1970 Report on Industrial Policy, looked to the possibility of an industrial development agency capable of integrating plans of its various member states. And, in the United States, there has been a proposal to rebuild what was known as the Reconstruction Finance Corporation and vest it with mandates to take ownership positions in the businesses it decides to financially support.

One of the most successful state agencies has been the Italian Institute for Industrial Reconstruction (IRI) which was formed in 1933. Its success was so marked that other countries set up state agencies fashioned, in some degree, on the “IRI formula.” Differences in the mandated roles amongst the state agencies of different countries are explained by differences in ideological commitment to free enterprise rather than by differences of appreciation as to what can be accomplished by the state.

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130 “The ...inspired extension of IRI [a public enterprise framework] in the postwar period has provided governments with a concrete example of what otherwise appeared difficult or impossible to achieve — state enterprise as efficient and dynamic as leading private enterprise groups, yet still directly serving the ends of government economic policy and the interests of society as a whole.” S. Holland, ed., *The State as Entrepreneur*, 1.

The general pyramidal organization of IRI is outlined in Figure 13:1. The hierarchy defines levels of function of various institutions. In AES terms, the framework plans are the ultimate responsibility of a democratically elected government. Next to government, the top level of the pyramid is IRI. IRI interacts with government with respect to the formulation of sectoral investment plans.

The implementation of plans, however, is shifted towards the base of the pyramid, each step further removed from the bureaucracy of government. Thus, for example, after plan approval, IRI interacts (at 1) with various ‘second-tier’ financial holding companies132 and, (at 2), with third tier operating companies (primary, secondary, service). Thus the day-to-day operations of both financial holding companies and sectoral operating companies are removed from both government and IRI. The general idea is that the plan emanates from government in broad terms. It is then worked on by IRI and various ministries in setting sectoral investment goals.

Plan implementation is then disseminated down the ladder. Conceptually, there should be no difficulties in application and jurisdiction. In practice, however, the problem is to assure that the relations of IRI and government are such that IRI does not become a ‘state within a state’. In this regard recall that capitalism is a system of governance and large corporations are themselves ‘private governments’. The same ‘corporatist’ contradiction with democracy is possible with state planning and implementation agencies.

Within each subsequent and lower level of the structure, in a fully developed social democratic system, degrees of participatory management ought to be the ‘mode’ of operation.

132 For example, in Italy sectoral holding companies include: ‘ENEL’, the State Electricity Corporation, ‘EFIM’, a state holding for engineering in the south of Italy, and ‘ENI’, the State Hydrocarbons Corporation.
The main ownership links are shown vertically within the pyramid. IRI is, like a Canadian Crown Corporation, totally owned by the state. From IRI, state ownership is held in financial holding companies (Tier 2) that in turn have ownership claims in specific operating companies in various sectors (Tier 3). IRI may, however, have direct ownership in sectoral operating companies (as at 2 by-passing Tier 2 sectoral holding companies). While there is no a priori reason for IRI to become directly involved in an operating company, in practice direct involvement has been found advantageous in the public relations appeal that IRI might bring to the support of particular operating companies. The IRI organization also involves inter-sectoral ownership as implied by the arrows at (3), (4) and (5).

As IRI is a multi-sectoral holding company the state’s system has strength and flexibility and can lend its weight to assuring that investments in each sector of the economy are in accord with the democratically determined interests of the people. Multi-sectoral integration may also be of assistance in maintaining enterprises that are not commercially viable but which serve social ends. Generally, as Holland put it:

“State holdings …[give] the government an instrument for the fulfillment of the strategic ends of policy, while largely leaving to the management of the holdings and their constituents companies in what way they should be translated into practice at the levels of the firms concerned. In this way the holdings have been able to operate within a market framework without restricting the government to the use of unreliable incentives as a means of mobilizing resources to the fulfillment of given sectoral, regional and social policy ends. They form a counterpart to the credit, fiscal and other instruments at the disposal of the national government, and contribute to ensuring that demand increases induced by macro-economic policy are matched by supply increases which can widen production bottlenecks and reduce inflationary pressures.”

In fact there is nothing unique about the IRI organizational form. It is simply a conceptualization of private share-holding through financial holding companies adapted to public ownership. A system of Crown corporations or a mixed system are obviously feasible. Moreover, the Crown Corporation system would seem to make it possible to speed up the process of combining social ownership and democratic management (as opposed to state capitalism).

An important component of the machinery of government control in Italy is the Ministry for State Holdings (1956). Through this Ministry “…the government could issue general directives to state holdings” …[the directives to be received by] …autonomous management bodies,” (IRI and ENI, for examples). Legislation in 1967 approved the establishment of a standing committee of cabinet known as the Inter-Ministerial Committee for Economic Programming (CIPE). This committee, chaired by the Prime Minister, included several ministries—Budget, Treasury, Industry, Commerce and Welfare and was the key body between IRI and government for it approved long and medium term investment plans of IRI (and other sectoral holding companies) and assured conformance with the national plan.

Within IRI, the organization is tightly controlled by Government. IRI’s Chairman and Vice-Chairman, are appointed by the Italian President for three year terms. These appointments are based on recommendations from the Prime Minister who consults with the Council of Ministers and the Minister for State Holdings.

While senior civil servants are tied into the main organization of IRI through Committees and Boards, the staff of IRI are not civil servants. This is an aspect of separation of power and control

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133 Historical accident in the timing of ownership by IRI is also an explanation for the direct involvement of IRI at this level.
of the tactical operations of IRI, its Financial Holding Companies and Sectoral Operating Companies, from government. Again, From S. Holland,

“It [IRI] is free of political bureaucratic intervention in the actual management of the enterprises it controls but it effectively modifies the motivation of the technostructures of its constituent enterprises to attach them to explicitly political objectives. It is the agency whereby nationally owned enterprises so manage their affairs as to achieve political goals without the hindrance of political interference and without reliance on an essentially fortuitous coincidence between specific political objectives and the technostructural institutions of the public good. IRI seems to be a new public institution in embryo — the citizen as shareholder.”

As a result of privatization in the neo-conservative age Canada seems to be falling behind with respect to public ownership. But Canadian history reveals the continuous intervention of government in the supply of social infrastructure investment and in the use of public ownership.136

If brought back to life, the Canada Development Corporation, CDC, could be used as an example of the potential for involving the federal government in the economy along the lines of the Italian IRI. Through CDC Canada’s federal government entered into primary, secondary, and service sectors of the economy. In fact it went so far as to take partial ownership of some multinational corporations with operations in United States and other countries. Figure 13:2137 outlines the organizational make-up of the Canada Development Corporation as it was in 1977.138

At the federal level the last Trudeau government (1980-1984) appeared anxious to re-mandate CDC.139 Under the Conservative Government of Prime Minister Mulroney, however, the CDC has been privatized and the government has created the Canada Development Investment Corporation. The efforts to come to grips with the structural problems of the Canadian economy, have however, been rhetorically symbolic. What is required is a federal commitment to planning140 and an institutional planning framework that would coordinate complementary plans at the provincial levels.

The AES and Inflation and Price Control

Finally, there is the issue of inflation and price control. Neo-conservative and liberal governments have seen inflation rather than unemployment as the major problem. As a result inflation control has been the dominant policy thrust of governments in Canada and abroad. The AES, however, suggests that this emphasis is deliberately designed under the dominating pro-business ideology to provide both a means and a rationalization for government inaction and inattention to the real problem which is the nature of capitalism as a system of governance in conflict with the proper nationalist (the non-nationalist state seems a contradiction in terms) ends of ostensibly democratic governments. The inflation policy diversion, in other words, acts as means by which the inadequacies of private enterprise capitalism can be shielded from scrutiny.

At the same time the attempts to control inflation have meant, as Keynes suggested, a vicious attack on labour and the standards of living of working people.

The AES switches the emphasis to unemployment and expansion of jobs in all sectors of the economy. To be emphasized, however, is that there is a community sense in which the AES is a strategy from which all can benefit. This point requires some elaboration in that, on the inflation side, an AES could put in place a price administration office that would supervise prices. Since prices and outputs are already administered to the market in capitalist economics a supervising price administration office.141 This does not mean the detailed determination of prices but rather monitoring and control.142 The allocative function of prices through the market is recognized and it is prized. In particular, however, the possibility of legislated price control would be formally

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138 The details on CDC holdings are not discussed here.
139 See: “The Government is pushing the Canada Development Corporation to be a more active player in Ottawa’s industrial and economic strategies,” The Globe and Mail, (May 12, 1981), 1.
140 The importance of government commitment to planning and to plan implementation cannot be under-emphasized. In Italy, even with the existence of IRI, the state has shown neglect for national plans. The point seems to be that if the state is neglectful an IRI type planning organization could pursue its own plans independently of government and the national interest. See: C. Johnson, “Relations with Government and Parliament,” in: S. Holland, ed., The State as Entrepreneur, 218.
given greater recognition in the kit-bag of government policy instruments, at least in comparison with post-war controls which have focused on wages while allowing prices to creep up.

It is often argued that price controls are ineffective in comparison to wage controls because the latter are relatively easy to manage. In fact, however, the Canadian government was extremely successful in controlling prices during the crisis period of the Second World War.\textsuperscript{143} Contributing, wages (through promotion and upgrading could escape controls to an extent) could build up underneath the blanket on prices, fed a post-war boom in demand for once war-rationed and other commodities. The point is that in peacetime, there is less at stake, so it seems reasonable that price controls would work with less strain than during the crisis periods of military demand as occurred in W.W.II. Moreover in the modern world scarcity is contrived not through want of commodities but through lack of demand. By rewarding the upper end of the income distribution (those with low MPCs in Keynesian terms) the progressive task of meeting the real needs of the people is made more difficult that it would otherwise be – with a more equitable distribution of income.

In any event inflation can be brought to an abrupt standstill\textsuperscript{144} by legislating that price increases will not be allowed, at least for some period of time. Public control of cost-price-profit relationships of this sort would strike at the heart of the remaining capitalist control devices—the control of the social relationships in production, the distribution of income and poverty.

In what sense, therefore, would business benefit from the control of prices? The answer is to be found in that in an expanding economy, business can expect to sell larger volumes and earn larger profits. This idea can be illustrated in the familiar mark-up formulation of prices.

\textbf{Diagram 13:1—Prices, Outputs and Profit Under ‘AES’ Price Administration}

\begin{center}
\includegraphics[width=0.6\textwidth]{diagram13.png}
\end{center}


\textsuperscript{144} J. S. McCallum argues that the goal of inflation policy should be, not just slowly rising prices, but a zero rate of inflation. J. S. McCallum, “Wanted: A Zero Rate of Inflation,” \textit{Policy Options}, X:3(1989), 20-22.
In Diagram 13:1, average costs decline throughout and price is set or administered as a mark-up on average variable costs. The mark-up view emphasizes that prices are administered before and to the market under corporate price administration. An AES proposal for national monitoring would merely switch emphasis from price administration before the market to social regulation before the market. Under the AES it can be expected that demand pressure will mount; the adjustments to that pressure will be on output and employment rather than increased prices. As demand and output shift to the right prices are to be held at \( P_0 \). Profit per unit increases because average costs decline.

The AES is also a strategy that will boost productivity. In the diagram, unit costs fall. But additionally technological change will shift unit cost structures down making it possible for higher wages to be paid to workers. But this point is one of causality running from wage increases to technological change rather than from technological change to wage increases. Note, also, the linkage with the concept of efficiency wages, \( EW = w \cdot N/Q \), found in the cumulative causation model. This cost-price strategy will tend to increase the country’s international competitive advantage. The essential long-run ingredient are those technological changes that go on no matter whether there is classical free trade or the internationalization of capital along with freer trade. The AES ought properly to be interpreted as a proposal for wage-led productivity growth.

This aspect of the AES has social implications—that is, in terms of equality and greater fairness in the treatment of individuals that, in turn have implications for efficiency gains. Implementation of the equality principle would seem to be a real possibility in terms of boosting not just the minimum wage but in the elimination of other unjustifiable inequalities in re-muneration, for example, unjustifiable male-female wage and opportunity differentials.

The greater the equality in wages, it is hypothesized, the higher will be the subsequent productivity increases. The productivity increases will come from a greater willingness to work cooperatively but at the same time high wages will stimulate more rapid innovation of modern technological processes and products and make domestic producers more cost competitive with competing imports.

Again the implications of the Kaldor/Myrdal model must be recognized. Competitiveness is not given by wages in money terms alone but by unit costs of production. The lowering of unit costs is to be obtained not only through modern technological processes but through more modern managerial techniques of social re-organization. Reductions in unit costs can be achieved for current managerial practices involve much waste. Work-place democracy is suggested.

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145 “...mark up and normal cost pricing procedures have been used since the time of Adam Smith...the historical prevalence of these pricing procedures undermines the need to provide an analytical basis and an ahistorical (theoretical) justification for them...the empirical evidence does not suggest that their usage is a function of the degree of market competition...an ‘idealized competitive market is a piece of theoretical fiction which post-Keynesians can do without.” F.S. Lee, “From Post-Keynesian to Historical Price Theory,” Review of Political Economy, VI:3(194), 311.

146 This case has been argued by: S. Bowles, S. D. Gordon and T. E. Weisskopf, A Progressive Alternative For Economic and Social Renewal, Working Papers for Policy Alternatives, No. 2. (Ottawa: Canadian Centre for Policy Alternatives, ND).

147 See: Michael Walzer’s, “Justice Here and Now,” in F.S. Lucash, Justice and Equality Here and Now, (Ithaca: Cornell University Press, 1986). Walzer points out, (page 145) that “…contemporary affirmative action programs …aim … at making the existing scramble for office and money more accessible to women and to minority groups and, by virtue of that new accessibility, more fair. The scramble should be more fair; …[but contemporary programs] will have only a limited and local effect if the men and women they advance merely take over established positions. The point is to change the nature of the positions, and so offer to the men and women who come next the prospect of a scramble that is at once more lively and less fierce, for a wider range of opportunities.”
The real long-run structural problem of the Canadian economy has been, and is, a weak and truncated manufacturing base reflected in increasing deficits in end-product trade; this is a problem of management and lack of national planning. The problem has not been high wages.

To summarize, three main arguments have been given for wage led expansion:

(1) The notion that high wages boost aggregate demand is a Keynesian/Kaleckian notion that falls out of the most basic of macro models.

(2) The notion that high wages and equality with fraternity or cooperative effort boosts productivity and will lower unit labour and other costs stems from socialist doctrine combined with empirical evidence (Blumberg) and theoretical argument having to do with worker participation (Pateman).

(3) The notion that higher wages will boost productivity by inducing a more rapid innovation of advanced technological processes and products is a standard argument from the economics of the capitalist enterprise. A corollary implication is that provided by the logic of the Kaldor-Myrdal model—that implication is that the Canadian economy will become more competitive on world markets as efficiency wages improve.

Cast in terms of the AES, the notion of ‘biting the bullet’ is the reversal of what is conventionally put forth by neo-conservatives. Their argument is that the state must be restrained so that the government deficit can be eliminated. A jump is then made to the necessity of austerity measures to restrain the economy. The consequences are a contraction of the economy and hardship for many.

Under the AES in contrast, expansion is called for and the state is ‘re-instated’ to do so. This is a bullet that must be bitten, but not by labour and by working people, but by raw corporatism’s capitalist class. Within the newly invigorated system capitalists ought to be doing what they have always done — “…accumulate, accumulate, ’tis the law of Moses and the Prophets [profits].” However this might be the AES suggests that justice and social responsibility demands institutional reliance of a more profound sort than private enterprise can deliver.

Under the AES, accumulation can be given social direction, equality and freedom for all. It is possible, in short, to achieve full employment, price stability and high and rising money wages.

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Syllogisms on the Morality of Social Relations Within Capitalism’s Global Market Relations

Syllogism A

to be Liberal and/or Conservative is to be capitalist
to be capitalist is to be immoral
to be Liberal and or Conservative is to be immoral

148 And it is in this immoral nature of capitalist governance that parallels are to be drawn to fascist elements in Canadian society [see: W. Kinsella, Web of Hate: Inside Canada’s Far Right Network] just as such links may be found in the United States. Recall Turgeon’s specification of the spectrum of political view in the United States with the centre a ‘bipartisan consensus’ of liberal and conservative thinking about how the United States as the centre of the capitalist system ought to be managed. On the extreme right are found the Chicago School of Pre-Keynesians. Turgeon also includes the "Old Right" and the fascist ideas discredited by Adolf Hitler. (L. Turgeon, The Advanced Capitalist System A Revisionist View, (Armonk, New York: Myron E. Sharpe, 1980).
Syllogism B

God is a social democrat\textsuperscript{149}
God is moral.
Social Democrats are moral

In the 1997 Federal Election Women’s Issues Debate the representative of the Conservative Party subjoined that social democrats do not have a monopoly on morality. NDP Leader Alexa McDonough (the only Federal Leader in attendance) responded that it is of course true that the NDP does not have a monopoly on morality. Moreover she said, the NDP never wanted or asked for or expected to possess such a monopoly. The implication, however, is that it appears to some as if the NDP does hold such a monopoly. Why?

A fuller response to the statement by the representative of the Tory Party could run along the following lines.

Specifically, it only appears that the NDP has a monopoly on morality because Liberals and Conservatives have failed to put a moral evaluation and understanding of capitalism at the centre of their policy deliberation and formation. Definitionally, of course, Liberals and Conservatives cannot do so for if they did they would soon be social democrats. In short Liberals and Conservatives seem to have abrogated responsibility for a formal indictment of the practices of capitalism that lead to its moral indictment.

For the members of the NDP as social democrats the ‘moral of the story’ is that if the NDP ever fails to stick by its guns with respect to the moral indictment of capitalism the NDP will lose its reason for existence. It will be no better than the Liberal and Conservative parties.

This being the case one can ask why the words: “No CCF Government will rest content until it has eradicated capitalism and put into operation the full programme of socialized planning which will lead to the establishment in Canada of the Co-operative Commonwealth.”\textsuperscript{150} ……have been muted as the long run rallying cry of social democrats. Indeed the words are now so muted that some now say ‘market’ rather than capitalism\textsuperscript{151} and even more damning is that some members of the NDP take the capitalist system as a given.\textsuperscript{152}

The C.C.F. sought to create a society “…in which our natural resources and principle means of production and distribution are owned controlled and operated by the people”.\textsuperscript{153} Has this now been abandoned?

Perhaps the following may strengthen the NDP’s moral indictments.

\textsuperscript{149} According to UC Minister the late Stanley Knowles. See Letter to the Editor, \textit{Macleans}, CX:(June 7, 1997), 7. In human rights terms all of us want to live in a social or liberal democracy. But the fascist nature of capitalist governance makes that ideal increasingly impossible.


\textsuperscript{151} For example NDP MP Bill Blaikie in his tribute to Stanley Knowles at Stanley’s funeral service in Ottawa.

\textsuperscript{152} Again see John Dewey, “The transition from an ordinary to a scientific attitude of mind coincides with ceasing to take certain things for granted and assuming a critical or inquiring and testing attitude.” John Dewey, "Logical Conditions of a Scientific Treatment of Morality", \textit{Decennial Publications of the University of Chicago}, First Series, Vol. 3, (1903): 115-139.

\textsuperscript{153} This definition is that of the Canadian Co-operative Commonwealth Federation (CCF) as enunciated in the \textit{Regina Manifesto} in 1933. See the Appendix in: K. McNaught, \textit{A Prophet in Politics: A Biography of J. S. Woodsworth}, (Toronto: University of Toronto Press, 1959).
“Justice is the first virtue of social institutions, as truth is of systems of thought. A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust.”¹⁵⁴

“…the socialist objection of justice to the market economy [capitalism] is that it allows private ownership of means of existence which no one has the right to own privately, and therefore rests upon an unjust foundation. …the socializing state is not violating rights, or even overriding them in the interests of something more important, but righting wrongs; it is rectifying violations of rights, violations inherent in the structure of private property.”¹⁵⁵

The introduction to Part IV highlighted the basic moral issue that is at issue in this book. This concluding comment ends where the section began.

The models built by the apologists for the capitalist system implicitly assume that capitalism is a moral system and that the system can therefore be taken as given and beyond question. Those models are based on the work of John Locke. The argument is:

“If …[in the] …global market value system, …any limit in principle is set to what money can rightfully buy, …the position is ruled out by the doctrine’s most basic tenets. Believers in the doctrine may accept such limits so far as they are imposed by law - for example, laws against street prostitution or non-prescription drugs - but they neither specify nor accept any limit in principle. “In a competitive society, almost everything can be had at a price,” says Friedrich Hayek in his famous market monograph, The Road to Serfdom. He regards this freedom of exchange as of an “importance which can hardly be overrated,” and he attacks critics of the “cash nexus” as demanding to impose their choices on “the freedom of the individual.” In principle, then, the position is that nothing should be ruled out from money purchase and sale. Exceptions can only be particular, contingent, and relative. Marx’s position that people’s working lives should in principle not be bought and sold, for example, is in absolute contradiction with the free market doctrine. The unstated implications of the market’s theory of property from Locke on are, in summary:

1 Private property right need not be deserved by one’s own work or production;
2 Private property in all of the earth, its resources and its products is an overriding and inviolable right;
3 Private property can always and in all things rightfully be bought and sold by the medium of money exchanges between property-owners (with non-defined exceptions permitted, but never the exception of human labour or any commodity not prohibited by law).
4 Private property can be accumulated by the medium of money exchanges with no limit to its rightful hoarding and global extent, its rightful inequality, or its rightful dispossession of others by exchanges between lawful owners.”

From the implications of accepted arguments follow consequences of accepted practice.”¹⁵⁶

The moral issue that faces all of us as human beings, and not to be escaped by being Liberal, Conservative or NDP, is that if a social system and various parts of it are known to be immoral then there is a moral onus—a social responsibility or obligation—on all people to change the system, its offending parts and the values and legitimating rationalizations that support it. John Rawls made this point in the following words. “Justice is the first virtue of social institutions, as truth is of systems of thought. A theory however elegant and economical must be rejected or revised if it is untrue; likewise laws and institutions no matter how efficient and well-arranged must be reformed or abolished if they are unjust.”¹⁵⁷

But system change will come particularly hard. In large measure this is because of the discipline of Economics. In Economics, the fact is that, because of its basic assumptions—in conformance with those of the “global market value system,” students are taught a view of a world in which justice and morality have been set away—already answered, as it were by

controlling assumptions designed to get just that result. Within its assumptions the realities of uncertainty in real time is ignored, hierarchical relationships of power and control (including the circles of control Galbraith used to describe the modern corporation) that give to some men power over the lives and life chances of the many are dispensed with by competitive relationships in which all agents are equal before the objective and disciplinary hand of the market.

Brilliant men dominate Economics Departments. Their lives are spent (perhaps ‘wasted’ is a more appropriate word) constructing mathematical models of worlds that do not exist. Some of these brilliant men have great difficulty comprehending that capitalism could possibly be immoral. And they will do nothing about it in any event. Such men serve to confound the wisdom of the ages. In their practice of their discipline they contradict Rawls’ notion that morality is an obligation on all of us.

The problems of human existence within this world is a moral problem. It has been argued here that the moral problem is to be solved by trying to create a world in which each individual is able to become all they he/she is capable, thus each persons liberty must be exercised as a positive freedom that is constrained by not doing injustice to others.

The society in which this can be achieved is one that combines that notion of liberty with equality and community mindfulness. Such a society involves an evolving mix of rights and obligations of individuals towards each other looking towards the common good.

The argument presented here, goes further, it says that those societies that simultaneously combine these three ingredients will prove to be more efficient, fairer and more democratic than any society yet constructed.

While the individual is paramount there is a necessary role for the state. The alternative communitarian economic and social strategy contained in this chapter attempts to define in workable terms institutional and technical components of the state’s role. The essence of the AES strategy for progress is equality within community to advance liberty and individual freedom in a truly democratic society.

Finally, while moral conviction is important, moral conviction does not require organized religion either for its support or manifestations of its practical realization. Moreover:

"... the only church which can possibly guarantee truth is the invisible church, the spirit that works in humanity as a whole. ...The only defense of any form of religious ritual must therefore be its adequacy to express in symbol the ideas and emotions of the human soul. ...The work of that rational spirit which constitutes the essential nature of man and which has resulted ...in the formation of the family, the industrial community, the state...is therefore to build up social and political institutions, which free him from the tyranny of his immediate impulses and make him a member of a whole larger than his individual self."158

158 John Watson, *The Interpretation of Religious Experience*. The Gifford Lectures, University of Glasgow 1910-1912. (Glasgow: James Maclehose and Sons, 1912). See in particular: Lecture Thirteenth, “The Invisible Church and Immortality,” 304, 299. The argument implicit in the syllogisms provided above may be viewed against that of John Watson in *The Interpretation of Religious Experience*. For example: *298 “Evil, as we have seen, marks the transition by which man advances to good, and in this sense it is a necessary condition of good. This transition cannot but take place, because man’s true nature is that towards which he is progressing, not his first or original nature. In man the clear spirit of God is immanent, and when he comes to a clear consciousness of himself, he learns that only in identity with that spirit can he overcome the evil in the world and in himself.”* 298 “The process by which man comes into union with God is not one which belongs purely to the individual, but is made possible only by the combination of men in society.” 298 “We must ...be careful to distinguish between the church as a special organization and the true or invisible church, as composed of all who aid in the never ceasing warfare of good with evil.” Italics added. 299 “...[the will of God]...is practically embodied in all the agencies which help him [man] realize his true nature. ...it is the invisible church, which must be identified with the Kingdom of the Spirit. The invisible church comprehends the whole of life.” 300 “...identification with the universal good.” 299 “The work of that rational spirit which constitutes the essential nature of man and which has resulted ...in the formation of the family, the industrial community, the state...is therefore to build up social and political institutions, which free him from the tyranny of his immediate impulses and make him a
The following passage from the Bible is appropriate:

… for I was hungry and you gave Me food;
I was thirsty and you gave Me drink;
I was a stranger and you took Me in;
I was naked and you clothed Me;
I was in prison and you came to Me.

Assuredly, I say to you,
inasmuch as you did it to one of
the least of these My brethren,
you did it to Me.

Matthew 25:35-40

member of a whole larger than his individual self.”

Religion is life in the spirit, and the spirit specializes itself in all the agencies which tend to uplift humanity.”

Science art and religion are all essential to the complete development of humanity, and the perfection of any one of them is made possible only by the perfection of the others.”

The invisible church is not a community of slaves but of free men, and therefore men must be allowed freedom of action, even if it leads ultimately to evil. In no other way can a spiritual community be developed. …Compulsion and freedom are incompatible, and not less compatible are compulsion and spirituality.”

The invisible church had its beginnings in the first gleam of the higher life that presented itself to the obscure vision of primitive man, and it can never perish, because it is the expression of the divine spirit as it works in the inner being of man. …the principle upon which it is based can only suffer development, never complete abrogation. That principle is the essential identity of man and God—a principle which is ever receiving a deeper and wider application, but which always preserves the same fundamental character.”

This means, I, take it, that God is an all embodying character, “holism” is holism. If man and God are identified according to Watson, then the ultimate nature of man is to embody holism in his being and living expression. So transcend disciplinarity, be sustainable.”

…the only church which can possibly guarantee truth is the invisible church, the spirit that works in humanity as a whole. …The only defense of any form of religious ritual must therefore be its adequacy to express in symbol the ideas and emotions of the human soul.“

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