Facing Constitutional Change and Economic Restructuring: Social Democracy Adrift in Canada

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Facing Economic Restructuring and Constitutional Renewal: Social Democracy Adrift in Canada

Neil Bradford and Jane Jenson

Introduction: The 1988 Election as Precipitant

The election of November 1988 was a crucial decision point for Canadian society. It unveiled the difficulties of the federal New Democratic Party (NDP) at the same time as it revealed a new expression of popular power in a coalition of social movements and interests, including unions, the organized women's movement, churches, nationalists, and intellectuals. This coalition led a consistent assault against the Free Trade Agreement (FTA), which emerged as the single issue of the election. The Canadian Left - incorporating this popular coalition, the NDP, and parts of the Liberal Party - castigated the "deal" as the mechanism by which the Progressive Conservative government was importing a neoliberal, anti-welfare state, anti-labor response to economic restructuring. Forces opposed to the FTA argued that, in the guise of responding to the necessities of international economic trends generally and American protectionism particularly, the partisan Right and Canadian business were actually pursuing a broad-based assault on the traditions of Canada's "exceptionalism" in North America: that is, its long-standing acceptance of state intervention, higher levels of state spending than in the United States on social programs such as universal health care and pensions, and labor legislation somewhat more supportive of collective bargaining rights and the labor movement.

With an unprecedented level of activity from corporations and business organizations on the side of the FTA, the election took on an unfamiliar cast. Not only did it focus on an important issue – instead of the usual talk of "leadership," "time for a change," or undebated economic proposals – but it also saw a massive mobilization of popular opinion and attention. Passions ran high. Eventually, 57 percent of the population voted against free trade. However, given the division of this vote between two parties and the distributional effects of the first-past-the-post electoral system rewarding regionally concentrated support, the government won a substantial majority and the FTA is now in place.

For the federal New Democrats this was an election which provoked much internal controversy. After four years of riding high in the polls — indeed appearing at times to be the second party (and, for a moment, the first) rather than the third that it had always been – their party plummeted to its customary distant third place. Moreover, during the campaign the NDP lost the high ground of opposition to free trade to the Liberals, while the Pro-Canada Network, which was an organizational expression of the popular coalition, emerged as a more visible representative of the anti-deal forces. Within days of the election, conflict erupted inside the NDP. Leaders of the labor movement (long the party's major financial backer as well as its link to the working class) launched blistering criticisms of the campaign strategy, faulting the NDP for its electoralist reluctance to develop economic alternatives. Critics claimed that this reluctance followed from a mistaken assumption that such discussion would reduce the NDP's electoral appeal. In addition, they were angered by what they saw as the party's unwillingness to address the fears of labor about free trade or to work with it in its highly motivated and mobilized coalition with the other social movements. Again, this reluctance to appear "too close" to labor arose from electoralist calculations.

Yet this internal conflict over the direction of the NDP and its place in Canadian society did not fall from the sky during and after the 1988 election campaign. It was simply another manifestation of the strategic dilemma of this social democratic party which has never succeeded in winning more than a fifth of the votes of the Canadian federal electorate (table 9.1). If the election precipitated conflict within the party and between the labor movement and the parliamentary wing, such fallout was only another example of the New Democrats' ongoing difficulties.

The NDP's vulnerabilities in 1988, and the form which the internal conflict took, reflect the inability of the party to consolidate a strategic position representing an alternative to the "bourgeois" parties in the evolving debate over Canada's economic and constitutional future. The NDP has always been an important actor in such debates but it has not been able to provide or sustain a clear alternative to the formulations set out by other parties, social movements, and state managers.
Table 9.1 New Democratic Party election results in federal elections

<table>
<thead>
<tr>
<th>Election year</th>
<th>Vote (%)</th>
<th>Seats/Total</th>
</tr>
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<tbody>
<tr>
<td>1962</td>
<td>14</td>
<td>19/265</td>
</tr>
<tr>
<td>1963</td>
<td>13</td>
<td>17/265</td>
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<td>1965</td>
<td>18</td>
<td>21/265</td>
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<tr>
<td>1984</td>
<td>19</td>
<td>30/282</td>
</tr>
<tr>
<td>1988</td>
<td>19</td>
<td>43/293</td>
</tr>
</tbody>
</table>

In this chapter we argue that the NDP’s current troubles, and particularly the disputes over its strategy of contentless populism based on electoralism and parliamentarism, follow in part from the internal pluralism which has made any consistent response to economic restructuring and constitutional change very difficult for it to mount. The NDP’s difficulties arise from the ways in which the two crucial dimensions of recent political conflict in Canada – constitutional and economic – cut into the internal alliance of the party. Evolving disputes around these two dimensions severely divide the fragile coalition which the federal NDP has always been.1

However, as an organization acting within a competitive party system, the NDP obviously responds to more than internal pluralism. Its strategic choices are also influenced by the behavior of the other parties – most evidently, the Liberals. At times the left-wing of the Liberal Party has succeeded in pulling that party quite close to positions of “right-wing social democracy” and the predicament of the NDP has been to distinguish itself from its main competitor.

Therefore, our explanation for the NDP’s reliance on “contentless populism” proceeds by tracing the impact of electoral competition to demonstrate how the party’s strategic choices over time have addressed both its own pluralistic currents and the external challenges arising from competition with the other parties. But all this occurred in a particular context. Political conflict in the postwar years has centered around disputes over regional economic power, continental trading relations, constitutional arrangements, and competing national identities.

1 For another discussion of the effects of internal pluralism on a divided Left, to which this analysis obviously owes some debts, see G. Ross and J. Jenson, “Pluralism and the decline of Left hegemony: the French Left in power,” *Pelézis and Society*, 14, 2 (1985), pp. 147–83.

Canada’s “Permeable Fordism”: The Interlocking of Continentalism and Federalism

As in other countries Canada’s postwar economy developed with high rates of economic growth based on the deep extension of mass production and consumption. Yet it had its particularities.2 First, it was very permeable to international effects, responding to continental forces, exporting resources, and importing capital for both resource development and manufacturing. Second, a political compromise between capital and labor organized through the party system and/or tripartism, familiar in West European social democracies, did not characterize Canada. Instead, the Canadian union movement conditioned its militancy to workplace actions and appeared in everyday politics as just another lobby for concessions from the state, when its demands could not be extracted through collective bargaining. In the postwar years labor support for the social democratic Cooperative Commonwealth Federation (CCF) was weak and much disputed.3

A discourse of nation building was more important than that of class. The welfare state was the product of state-initiated policies rather than political exchange.4 Therefore, new citizenship rights were not proclaimed. Keynesian programs grew out of the Depression era and wartime bureaucracies which saw the solution to the problems of the Canadian economy residing in a strong central government endowed with the will to intervene in the economy in a countercyclical fashion. The social compromises and institutionalized relationships of the Canadian welfare state were rationalized in terms of the needs of the federal system. Further, an economic discourse constructed around the exporting of staples rather than mass production identified Canada’s immense natural resources rather than its workers as the source of its economic greatness.

Although the Canadian economy expanded dramatically after 1945, it quickly exhibited the vulnerabilities which troubled its subsequent history. Reliance on relatively unprocessed natural resources as the leading sector, domestic manufacturing sustained in a branch-plant system, a high level of capital and goods imports, a state that spent comparatively

2 For the development of the notion of “permeable Fordism” see J. Jenson, “‘Different’ but not ‘exceptional’: Canada’s permeable Fordism,” *Canadian Review of Sociology and Anthropology*, 26, 1 (1989).


little on social programs and left labor–management relations to the arena of private collective bargaining was an unstable mix.\(^5\)

Keynesian-inspired macroeconomic policy tools were severely limited in a small, open economy with high levels of foreign ownership. Repatriation of profits and global strategies of multinational corporations meant that the Canadian economy never achieved the employment-creating or developmental possibilities of high growth levels. Moreover, Keynesian countercyclical spending did not overcome the profound structuring effects of a resource-based economy where prosperity was distributed largely by geographic lottery. Uneven regional development continued. In short, permeability called forth state strategies supplementing Keynesianism to alter regional disparities, to combat structural unemployment, and to maintain investment flows to balance outflows resulting from profit repatriations.

In these ways Canada's specificity almost guaranteed a politics centered on conflict over regional development strategies and continental integration. Indeed, an aspect of all economic policies quickly came to be intergovernmental battles stemming from disputes about resource ownership and control. The provinces had constitutional jurisdiction over resources but the federal government needed to shape the disposition of resources if it was to direct economic development. Moreover, an economic strategy of resource exporting provided space for provincial governments to pursue their own "province building" projects. Fluctuations in world prices for primary products further fragmented the Canadian economy, providing the mobilizational underpinnings for provincial challenges to the postwar "nation building" strategy.

Increasingly complicated federal–provincial relations were bound to result.\(^6\) Not only was the regulation and management of resource industries a provincial responsibility, but labor relations and almost all areas of social spending for state welfare belonged constitutionally to the provinces, either exclusively or shared with the federal government. It followed, then, that federalism would become a pivotal arena of conflict.

Canadian politics from the mid-1960s until the present has been dominated by cultural and regional disputes which have focused on federalism as a distributive system. Provincial governments question the fairness of outcomes organized by the federal government. From the Royal Commission on Bilingualism and Biculturalism (1967) to the Royal Commission on Canada's Economic Union and Development Prospects (1985), the nation building discourse and strategy of the federal government has been disputed. Conflicts erupted over the identity of the nation, the costs and benefits of continued association in a single economic unit, and the self-definition of the nation in cultural terms. New actors contest the idea of a "single nation" and celebrate province-based loyalties. New political forms—cooperative federalism, executive federalism, regular federal–provincial conferences—have emerged as the decision making center of the state. As a result of the interconnectedness of economic development and constitutional responsibilities, then, the politics of economic crisis and restructuring also brings rethinking about national identities.

No federal political party has escaped the consequences of this dual crisis. Throughout the 1970s and 1980s the NDP faced the familiar problems of social democracy everywhere—accusations of statism, disputes over the role of labor and new social movements, the frustrating inability to find a replacement for Keynesianism. In addition the party staggered in the face of internal conflicts as it responded to the politics of constitutional renewal and continental economic restructuring. Its internal coalition has disintegrated, while it has also lost its ability clearly to distinguish itself from the Liberals. Unable to arrive at a coherent

5 Canada's economy after 1945 marked the transition from the interwar dominance of agricultural exports to the new staples industries. Its shape was a consequence of deliberate state development strategies as well as trends in the international economy, which transformed Canadian capitalism's international connections. The state strategy emphasized exports, organized by multinational corporations, of the highly desirable resource staples; a commitment to the pursuit of more open international trade relations, especially through the General Agreement on Tariffs and Trade; an effort, albeit somewhat feeble, to maintain full employment through the use of macroeconomic fiscal mechanisms; and satisfaction of pent-up consumer demand through imports of manufactured goods or goods produced in Canada by American corporations investing in branch plants. This package has been termed the Second National Policy. See D. V. Smiley, *The Federal Condition in Canada* (Toronto: McGraw-Hill, 1987), p. 179. Any imbalances in trade which might result from goods imports were to be offset by the import of capital, for both the resource sector and consumer-goods manufacturing, and by the export of resources. Moreover, the Canadian state continued its century-long practice of underwriting the costly infrastructural requirements of the new staples. The Trans-Canada Highway, the Trans-Canada Pipeline, and the St Lawrence Seaway were all begun before 1955. See W. Clement, "Canada's social structure: capital, labour and the state, 1930–1982," in *Modern Canada: 1930–1986*, ed. M. Cross and G. Keeley (Toronto: McClelland & Stewart, 1984); D. Wolfe, "The rise and demise of the Keynesian era in Canada: economic policy, 1930–1982," in *Modern Canada: 1930–1985*, ed. Cross and Keeley; and G. Yates, "From plan to politics: the Canadian U.A.W., 1936–1984," Ph.D. thesis, Political Science, Carleton University, 1988.

6 The first crack appeared in the 1960s when the Quebec government, led by its strategy of maîtres chez nous, insisted on that province's right to implement an interventionist development strategy based on resource expansion to drive industrialization. But, it also required that the province gain control over the basic instruments of the Keynesian welfare state. Therefore, demands for "opting out," wrapped in the discourse of cultural development for Francophones and Québécois, appeared on the agenda of federalism. See J. Jenson, "Economic factors in Canadian political integration," in *The Integration Question: Political Economy and Public Policy in Canada and North America*, ed. J. H. Pammett and B. W. Tomlin (Toronto: Addison-Wesley, 1984), pp. 38–9.
alternative for the new conditions, the NDP has relied instead on a defensive electoral strategy of contentless populism.

The New Democratic Party’s Pluralism

The NDP came into existence in 1961 to respond to the weaknesses of its predecessor, the CCF, created by an alliance of organized farmers, labor, and socialist intellectuals in the 1950s. The CCF embraced a version of Fabian socialism modified to suit a party whose primary electoral base was independent commodity producers. Despite the party’s determined efforts, links with organized labor remained tenuous until the 1950s. Throughout the 1930s and the war, the CCF’s Regina Manifesto had been an important source of political ideas and pressure for greater state responsibility for social and economic conditions and a more regularized relationship between capital and labor. From the CCF’s perspective, implementation of such reforms depended upon a strong federal government directing a united country. Therefore, while justification for its proposals arose from its distinctive social democratic theory of the state and society, the CCF did link up with the themes of the Liberals’ and Progressive Conservatives’ straightforward nation building discourse.

The CCF’s particular founding coalition contained several tensions which remained at the heart of the party throughout the postwar years. One was between those who emphasized the populism of the western experience and those who looked to the labor movement, not simply for financial backing, but also as the correct base of a social democratic party. A second cleavage divided those who sought a more radical, movement-oriented transformative politics and those who interpreted the postwar conditions as requiring a revision of the past radical discourse and analysis. Thus although the CCF’s political worldview came together in support of statism, centralized federalism, and identification with organized labor, it reflected more an uncertain compromise than a widely shared commitment amongst party members.

In maneuvering through the cleavages inherited from the CCF, the NDP plumbed for the labor movement and opted for revisionism. Although it did not banish proponents of alternative positions, the party’s choices were reinforced by external factors such as the continuation of postwar affluence, the discarding of the ideology of the Left worldwide, and the overall decline of CCF voting support, especially among farmers in the late 1950s. Through this process of social democratic “renewal,” the NDP claimed a role in constructing and managing the conditions of postwar affluence and turned its electoral sights not only towards unionized workers but also to the expanding middle strata. The revisionism of the NDP was intended precisely to address the situation of...
remained strong. Thus, the potential for conflict between western and central Canadian perspectives, between populism and laborism, persisted. Moreover, the move to liberal progressive revisionism did not vanquish the extra-parliamentary socialists and that strategic dispute was destined to continue. The effects of internal pluralism institutionalized in the organizational structures of the NDP emerged with increasing clarity and force as political and economic crisis intensified.

Confronting Quebec and the Waffle

In fact, the NDP did not enjoy many years of grace before it experienced the first signals that even its new perspectives might not resolve its difficulties. The two major faultlines of Canadian postwar politics also cleaved the NDP, whose policy debates highlighted them clearly. The first of these faultlines was created by the state’s economic strategy of continentalism. Concern about the impact of continentalism began to surface in the late 1950s, and by the mid-1960s the NDP had responded with a program for domestic capital formation calling on the federal government to ensure that investment (whether public or private) serve the interests of Canadians. From this statist approach to the problem of American control over the domestic economy followed a parliamentary strategy stressing the NDP’s capacity to govern in the national interest, employing various supply-side policy instruments to monitor foreign investment and facilitate “Canadianization.”

The second faultline involved federalism and the overarching national identity. Weakening support for centralized federalism reverberated through the NDP as controversy erupted over Quebec’s place in Confederation. With the emergence of Quebec nationalism, pressure was placed on the NDP to adapt by discarding the “One Canada” assumptions brought to the party by its historically important Anglophone Quebec intellectual elite. Throughout the 1960s, the party wrestled with whether it should recognize Quebec as a nation, accepting the logic that this might lead to fundamental modifications in state institutions, or whether a compromise of “special status” was appropriate.

It was the Progressive Conservative party after it came to power in 1957 under John Diefenbaker’s leadership which first confronted these issues. Indeed, Diefenbaker’s defeat of the King–St. Laurent Liberal regime owed much to the Tories’ populist mobilization around growing fears about continentalism and the threat posed to Canadian unity by rising Quebec nationalism. However, the economic uncertainties and strains within federalism soon exposed the hollowness of the Diefenbaker sweep. Prairie-based economies, sensitive to regional concerns of commodity producers and spiced with anti-Americanism, clashed with the party’s traditional power brokers concentrated in Ontario’s business community. In addition, the election of the new Liberal government in Quebec in 1960 and the energies released by the Quiet Revolution revealed the limitations of Diefenbaker’s “unhyphenated Canadianism” as a response to evolving demands for new accommodations with Quebec.

In the context of electoral competition, the legacy of the Diefenbaker interlude had very different effects on the two other parties. The failures of the Diefenbaker government set the stage for renewed Liberal dominance of the federal party system and the continued marginalization of the NDP. As the Progressive Conservatives divided over the Quebec question, the Liberals recruited influential provincial figures to develop a more convincing framework for renewed federalism, propelled by novel language and cultural policies aiming to renovate a national identity. At the same time, on economic issues, the Liberals, increasingly subject to the influence of their progressive reform wing, refashioned themselves as the sponsors of modern dirigiste planning and intervention very much in vogue in Western Europe. By the mid-1960s the Liberals consolidated an agenda properly labeled “right-wing social democracy.” Often the subject of dispute between the party’s reform and business wings, right-wing social democracy in the Pearson and early Trudeau years was characterized by four key policies: bilingualism, cooperative federalism, extended social programs, and selective nationalistic economic measures.

Throughout the 1960s, the NDP was stilled by popular perceptions that its responses to the changing conditions within the federation and the economy were little more than a left-wing version of those implemented by the governing Liberals. Moreover, for the NDP, Diefenbaker’s defeat and the conditions which eroded the government’s credibility presented other constraints. Not only did Diefenbaker’s continued strength as a prairie populist appeal to the NDP’s traditional western constituency, but his reference to anti-American and antiblack themes neutralized much of the NDP’s distinctiveness in pivotal urban areas of

10 This split had existed almost from the beginning in the CCF and became particularly important in the 1960s. W. Young, The Anatomy of a Party: The National CCF 1932–1961 (Toronto: University of Toronto, 1969). By the mid-1960s, the radicals gained new purchase with the development of the “creative politics” movement which argued the time was ripe to reorient Canadian politics away from regionalism and around class-based identities; a reorientation which, its proponents argued, would strengthen the national project by reducing regional and linguistic divisions. Bradford, “Ideas, intellectuals and social democracy,” pp. 89–90.


central Canada. In addition, the evident collapse of the "One Canada" approach to national unity questions revealed an NDP as divided over constitutional issues and bereft of organizational resources in Quebec as the Tories.

Thus, with the Liberals managing to reestablish their Quebec stronghold, and with the Progressive Conservatives continuing to stress populist themes in the hinterlands, the NDP had little room for maneuver. The particular plight of the NDP in the federal party system was evident: internal party divisions over policy and strategy were compounded externally by the Liberals' selective appropriation of the revisionist social democratic program and by the Tories' populism.

While the four elections of the 1960s had left the NDP mired in uncertainty, a turnaround seemed possible in 1972. The reform impulse which had animated the Liberals in the 1960s was running its course and by the early 1970s the Liberals had reassessed their social spending commitments in conjunction with a well-publicized series of tax concessions to corporations. Therefore, in his first campaign as leader, David Lewis could lambast "corporate welfare bums": those identifiable large corporations whose tax breaks were "ripping off" ordinary Canadian taxpayers and the government.

As the 1970s began, the economic and constitutional debates within the NDP began to overlap. Increased recognition of the weakening economy merged with the intensifying conflict over Quebec's place in Confederation. At this point, the tensions of internal pluralism crystallized as the Waffle faction appeared inside the NDP to advocate an alternative to the mainstream of party policy. The Waffle advocated an independent socialist Canada to be achieved by "two nations in one struggle." Making use of a more ringing discourse of socialism, the Waffle took radical positions on the economy and constitutional questions which ran roughshod over the delicate balance of the party's internal pluralism. The Waffle's economic analysis claimed that independent socialism was impossible until the major threat to Canadian survival, American control of the economy, ended. Moreover, given that the fundamental threat was external capital, the Waffle proposed that the NDP mobilize a broad-based alliance of classes and groups. Reflecting its roots in the New Left of the late 1960s, the Waffle's conception of social change privileged neither the labor movement's claims nor the incrementalism of the legislative process. It tried to foster a more participatory, society-centered politics, denigrating parliamentarism.

This emphasis on grassroots politics appealed to socialists who had never been comfortable with unexamined parliamentarism. The call for a broad-based social alliance was also welcomed by those activists who felt that the preoccupation with organized labor was undercutting other strategic perspectives emerging from the middle strata and new social movements on which the party's expansion would largely depend. But, not surprisingly, the Waffle intervention met hostile reaction from organized labor and from those who were uncomfortable with its willingness to recognize a new place for Quebec. As a crucial subtext of their attack on American capital, Wafflers argued that Canadian unions should replace the internationals. They followed up with a call for "democratization" aimed at the union leaders, whose fears that dramatic efforts to expropriate foreign capital would have negative employment effects made them chary of Waffle stands.

Internal conflict played itself out at the 1971 leadership convention when David Lewis — the key architect of the party's parliamentarism and alliance with organized labor — met the unexpected although ultimately unsuccessful challenge of the Waffle's candidate. When efforts at policy and personal mediation were unsuccessful, the unions combined with many of the party's elected parliamentarians to expel the Waffle group in 1972. In disciplining the Waffle, the NDP reconstituted its state-oriented, social democratic discourse and organizational forms.

These years of intense internal struggle around economic development strategies and approaches to federalism left a legacy of distrust and bitterness within the NDP and the broader Left. It was at this difficult juncture in the party's history that an electoral strategy presented itself which would address the failure to make inroads into areas of Liberal vote, particularly among the middle strata and in urban areas, while rendering less urgent any resolution of the deep-seated divisions on policy and strategy. The new leadership struck on a chance discovery of

15 Why the group was called the Waffle is lost to history. Nevertheless, the most convincing version is from Morton who writes: "... the [Waffle] document rejected concessions to consensus radicalism: if it waffled, it would 'waffle to the left'" (The New Democrats, p. 92).
16 Brodie and Jenson, Crisis, Challenge and Change, p. 273.
17 For the other intellectual roots of Waffle arguments, in the emerging "new Canadian political economy," see Bradford, "Ideas, intellectuals and social democracy," pp. 91-2.
18 Because it kept a separate mailing list, issued its own statements, and ran Waffle-identified candidates in elections, the NDP could charge it with constituting a "party within a party," and use that as the constitutional grounds for winding down the Waffle (Brodie and Jenson, Crisis, Challenge and Change, p. 278). On the details of the conflict and its long-term costs inside the NDP, see Morton, The New Democrats, pp. 130ff. One probably completely unanticipated consequence was that there was a serious rift between the NDP and the most critical and active young intellectuals that lasted well into the 1980s, thus curtailing the NDP off from new understandings of Canadian society as they developed in the academy (Brodie, "Ideas, intellectuals and social democracy," pp. 92-3). And the level of antagonism among the unions and the Wafflers — with, for example, union leaders accusing the Wafflers of being social misfits and Wafflers returning the swipes in kind — meant that Canadian unions entered the 1970s with little chance of engaging in intellectual debates outside the movement. The timing of such a brutal conflict was unfortunate.
the electoral rewards from a new form of populist discourse, one which masked the fundamental internal disputes about economic direction and constitutional politics.19

The "corporate welfare bias" slogan also defused the issue of American ownership of the economy because many of the companies on the daily "hit list" were American multinationals or their branch-plant subsidiaries; nationalists could take heart that the question of foreign domination was being addressed. In essence, the 1972 campaign represented a new confirmation of Keynesian style economics, packaged in populist rhetoric which bridged some of the deep fissures that had opened inside the NDP. And it seemed to work; the NDP not only discovered a more distinctive identity from the Liberals, but it won ten more seats and assumed an important role in the ongoing situation of minority government.

Thus, the NDP entered the mid-decade with several painfully learned lessons. First, searching for an alternative framework to interpret the conditions created by Canada's political and economic crisis was divisive and potentially paralyzing. The better part of valor was to damp down controversy among the party's competing tendencies whenever possible. The second lesson was that the labor unions were a powerful force within the party, and any new orientations would have to address their perception of the situation as well as accommodate their needs. The experiences of the early 1970s had shown that the labor movement remained a quite conservative force, still unwilling to rethink traditional positions on economic nationalism, two nations, and mobilizing strategies for Left politics. The one bright spot in this period was that populism had the double advantage of not escalating these internal tensions and of delivering modest but real electoral success. The party organization stored that lesson away for the future.

The New West and Industrial Strategy

Since the mid-1970s, Canada has experienced an economic crisis with as profound restructuring effects as any other. Moreover, throughout these years, provincial governments had been mobilizing their resources. This was not simply the result of growing Quebec nationalism nor of the perversity of "power-hungry" politicians and bureaucrats in the provinces. Rather, it was in large part a reflection of the differentiated ways that capitalist restructuring affected manufacturing and resource-producing economies. The fact of economic openness had quite different implications for resource producers and manufacturers. Given the geography of economic activity in Canada, the central provinces (and increasingly only Ontario) had the bulk of manufacturing while the peripheries, especially the western provinces and Quebec, depended on

19 On populism as a chance discovery see Morton, The New Democrats, pp. 141-3.

resource production.20 From the first response to the energy crisis regional competition was assured, as the federal government kept domestically produced oil below the world price in order to cushion the shock for eastern manufacturers and consumers. It thereby limited western provinces' economic profits. This competition was fought out in the arena of intergovernmental relations.

Organized labor and the NDP have both continued the search for an effective response to the changed economic and political environment. After suffering the impact of the Liberal's unilateral imposition of wage controls in 1975 the Canadian Labor Congress (CLC) and several of its large affiliates recognized that the new conditions demanded a departure from the strategies of collective bargaining and occasional forays into lobbying which had guided them in the postwar decades. Initially attracted to a version of social corporatism, the CLC moved to provide more sustained electoral and programmatic support for the NDP.21 Moreover, it began to formulate a strategy for industrial restructuring, one which rejected nationalization, favoring instead more processing of natural resources and research and development in Canada, enhanced regulation of foreign investment, and the improvement of social programs.22 While decidedly labor-focused, this plan dovetailed with many of the policy initiatives being undertaken by the NDP.

In the 1974 election, the electorate had difficulty distinguishing the NDP's oppositional politics from those of the Liberals. Two years of Liberal minority government had produced several nationalist policies, reflecting in part demands made earlier by the NDP as well as the left-wing of the Liberal Party. Trying to cope with the "identity crisis" thereby generated, the NDP committed itself to finding a policy response for the post-Keynesian future.23 In this search, there was a return to the concerns first elaborated by the Waffle and now echoed by the CLC.

20 Brodin and Jenson, Crisis, Challenge and Change, pp. 298-9.
21 This initiative by organized labor was, in many ways, a legacy of wage controls, when the Liberal Party flagrantly reneged on its campaign promise to protect labor. The CLC set out to convince the rank and file that the old-line parties had proven themselves, once again, to be only the friends of big business and that unionists had no alternative but to support "their party," the NDP. As the 1979 federal election approached, the CLC executive decided to increase its funding of the NDP and to press union locals to mobilize their members into a voting bloc. In a campaign termed "Canadian Labor Calling," the CLC set up telephone centers in target ridings where volunteers and union votes were plentiful. The telephone campaign stressed the realities of shrinking pay checks, unemployment, the erosion of trade union rights under the Liberal government, and the need for a new and comprehensive industrial strategy. Labor continued its partisan activity in support of the NDP in 1980, 1984, and 1988 but the effects on electoral outcomes were limited.
about technological backwardness and export impotence associated with a branch-plant industrial structure. Of course, the party's use of the Waffle's intellectual legacy was selective: advocacy of an "independent socialist Canada" was replaced with a much narrower political analysis of adjustment problems and investment strategy in a small, open economy. By the late 1970s, then, the NDP offered its "industrial strategy" for productivity and innovation in response to neo-liberal claims that the Canadian economy's problems stemmed from social expenditures, state intervention, and insufficient market influence. Like the CLC's restructuring strategy which was primarily tailored to the needs of Ontario, where de-industrialization was hitting hardest, the NDP's proposal relied on strong leadership from the central government to direct the anticipated restructuring. How this aspect of the post-Keynesian agenda would mesh with the concerns of the party's western wing remained unclear.

In 1980, the re-elected Liberal government, emboldened by its defeat of the Tories' program for a more decentralized federation and by the withering of Quebec nationalism after the referendum on sovereignty-association that year, elaborated an ambitious set of policies termed the "Third National Policy." The Liberal package of resource, industrial, and constitutional proposals envisioned a large role for the federal government in the economy, both in organizing the internal market and regulating external investment flows. This program also reasserted the centrality of a national identity expressed through institutional reforms aiming to strengthen citizens' loyalties to the central government. However, this statist-nationalist response to the evolving crisis was shipwrecked economically by plummeting commodity prices and was politically stalemated by the effects of more than a decade of constitutional conflict led by rebellious provincial Premiers.

For the NDP any policy initiative presupposing a strengthened federal government was immediately viewed with suspicion since the leaders of the western provinces and many of their constituents saw the new industrial strategy as another effort to bolster Ontario at the expense of the west. In the 1970s, New Democratic provincial Premiers directed their anger against the federal Liberal government's efforts to rescue a national economic strategy from the crumbling edifice of postwar continentalism. However, by the early 1980s, as the federal wing of the NDP sided with the Liberals on each of the major issues of Canadian politics which pitted the center against the west, the centralizing implications of the party's post-Keynesian economic analysis set in motion a "western revolt."

The NDP was doubly damned. Its opponents accused it of suffering the same ills as social democracy elsewhere — outdated statist responses to productivity crises, protectionism in the face of competitiveness challenges, and careening public expenditures. These critics cited the troubles of the British economy in the 1970s and the dramatic failures of the French Socialists after 1981 as evidence confirming the bankruptcy of Canada's social democratic alternative. Yet, as New Democrats struggled to sort through these broadsides — so common to social democracy at the time — they were also embroiled in internal debates about constitutional politics.

Indeed, constitutional politics, fought after 1980, crystallized many of the intra-party tensions and exposed the extent to which constitutional and economic questions in Canada had become closely intertwined. When the Trudeau government announced an amended formula for the Constitution and a strengthened Charter of Rights, the federal NDP indicated support for the Trudeau initiative based on a long-standing adherence to the concept of a national bill of rights. This commitment wreaked havoc within the party. Provincial leaders and western federal caucus members found threatening the increased role of the Supreme Court and the dilution of parliamentary sovereignty which would follow from an entrenched Charter. They were also adamant that provincial control over resources must be treated as non-negotiable in any compromise. Furthermore, social movements, especially women and native peoples, objected to specific items in the proposed Charter, which weakened their rights. They mounted successful campaigns outside Parliament to force a more acceptable outcome and such appeals were taken up by those New Democrats whose own notion of politics — reminiscent of the Waffle — were less party directed and more open to popular alliances. Even the labor movement was divided over whether to pursue constitutional recognition of the right to strike. Supporters of parliamentary sovereignty aligned with unionists from Quebec to block any sustained efforts in that direction.

In the several years of intense controversy that took to rewrite the Constitution, these divisions swirled through the NDP. The discontent, evident among the party's rank and file, parliamentary wing, and provincial leadership, erupted at the party's national conventions in 1981 and 1983, where party leaders from western Canada rejected the federal NDP's economic policies and gained space for provincial diversity and resource-driven economic development.

In many ways, the NDP had been caught by its failure, first, to assess the political consequences of the westward shift in economic activity throughout the 1970s and, second, to recognize how these transformations

24 In this analysis the NDP found an ally within the Canadian state, which led the charge for some sort of "industrial strategy." For the story of internal state conflict over industrial strategy or continentalism see G. Williams, Not For Export: Toward a Political Economy of Canada's Arrested Industrialization (Toronto: McClelland & Stewart, 1984), ch. 7, and Mahon, The Politics of Industrial Restructuring, ch. 8.
would organize conflict around the new Constitution. Despite the western domination of the federal caucus, with its constituencies increasingly antagonistic toward both federal power and Ontario’s historic dominance in the Canadian economy and politics, the party’s electoral strategy continued to focus on developing support in Ontario. Thus, on most of the major political issues of the 1980s, the party was paralyzed by the choice of appealing to the center and alienating its power base in the west or the reverse.27

Yet the objections raised by the western party leaders were never confined to federalism and regional economics. They inaugurated a critique of Keynesianism, disputing the NDP’s preoccupation with organized labor’s desire for protection of jobs in mature and declining industries. Westerners’ basic economic proposals called for an incomes policy, based on a new social contract featuring greater restrictions on adjustment-retarding industrial assistance. This idea would require considerable explaining to a labor movement weathering a severe economic recession at the same time that the Liberal government was imposing wage controls on the public sector. Not surprisingly, labor saw a clear threat to its social power in the westerners’ view of labor as “just another interest group.”

Towards 1988: The Return of Contentless Populism

Ironically, the main thrust of these western objections was buttressed by the positions of an influential party figure long associated with the Ontario wing and a central Canadian analysis of national economic problems. James Laxer, in a departure from the federal party’s traditional pro-labor parliamentarism, published an economic polemic offering a rationale for expunging any remaining traces of Keynesian demand-side stimulative spending from the party’s analysis and encouraging tactical support for the Liberals.28 Embracing the language of neo-liberalism, Laxer believed that the NDP had to impress on the public consciousness that it too was prepared to restrain the labor movement and streamline state expenditures to steer the country through the “leaner and meaner” 1980s and 1990s. For Laxer, the NDP’s target constituency was domestic business and middle class technocrats, rather than workers, organized or unorganized.

Identifying this constituency made Laxer’s economic analysis quite compatible with the positions of the western faction whose government

27 By contrast, the Liberals, with their electoral stronghold in Quebec, could mobilize decisively around a center-oriented economic-constitutional package without fear of serious internal conflict.


experience and focus on province-based development strategies earned them the label “prairie capitalists.” Nor was Laxer’s economics incompatible with the populist, almost autogestionnaire, thrust of the westerners; only Laxer’s politics—his recommendation in favor of the Liberals—jarred with the western position.

Entering the 1984 election, then, at least two camps were shaping up inside the NDP, with different visions of economic strategy, of representative targets, of labor’s role in the social democracy of the future, and of federal-provincial relations. As controversy again roiled the NDP, no salient position could be presented to the electorate. Therefore, as the 1984 election approached, the NDP scrambled to find a message which would allow it to maneuver against the other parties while still divided over policy. Party leaders developed the populist theme of appealing to “ordinary Canadians,” but with little substantive discussion about what ordinary Canadians might hope to gain from electing the NDP. Missing from the strategy was any reference to the economic restructuring proposals which had at least framed the 1979 and 1980 campaigns.

In making this choice the NDP leadership relied on a populism born of desperation but also one which was consciously chosen. Drawing on sophisticated polling and marketing techniques, the proponents of contentless populism argued that the majority of voters were alienated by the party’s insistence on using the language of social democracy. More fundamentally, however, after the conflicts over the Constitution and post-Keynesianism, it was obvious to the party elite that any attempt to construct a program-oriented campaign risked alienating many traditional New Democrats as well. The particular form of populist discourse which the party settled on in 1984 reflected as much an uncertainty about the future direction of the social democratic project in Canada as a conscious decision to substitute image for substance.

The 1984 election, like 1972, was interpreted as a victory of sorts for the NDP.29 Suffering no loss of seats, the party was reassured that the years of constitutional-economic debate had not been fatal to its electoral fortunes. Rather, armed with its populist slogan the party held its ground while the governing Liberals were decimated. Of course, the most remarkable feature of the 1984 election was the success of the Tories. In marked contrast with the divisive effects visited upon the NDP and the Liberals by the crisis and restructuring the Mulroney Conservatives gained new opportunities to meld formerly competing intra-party tensions. The Royal Commission on Canada’s Economic Union and Development Prospects, which became the guiding economic document for the new government, recommended that Canada face the future with a market-driven continentalist strategy rather than an interventionist-nationalist one. The subsequent free-trade initiative appealed to business elites across the country by promising less federal
interference in the investment process and in provincial jurisdictions and reduced social welfare expenditures. Significantly, it also contributed to the unhinging of Liberal dominance in Quebec by responding to the provincial government’s desire to secure a continental resource export market. Furthermore, the quick accommodations made with the energy-producing provinces in the Western and Atlantic Accord, and the formal recognition of Quebec’s “special status” in the Meech Lake Agreement of 1987, signaled the institutionalization within the Conservative party — and by implication within Canada’s federal structures — of regional identities. A neo-liberal economic strategy and a decentralizing approach to federalism not only have permitted the Tories to mobilize a unified party and successful interregional electoral coalition; they also amount to a strategic redefinition of the “national interest,” one designed to consolidate the Conservatives’ position as the governing party for the future.

In this new political environment, the NDP has moved again to address the tensions and divisions left unresolved from the pre-1984 period. Responding to the enthusiasm for the popular mobilizations which accompanied the process of Constitution-making and the Solidarity movement in British Columbia, as well as the growing interest in more decentralized, democratic-social-movement roles of political representation, the NDP published Canada Unlimited.30 Countering the notion that social democracy means statism and centralized bureaucracies, the NDP highlighted the possibilities for community initiatives, local investment funds, and self-directed, self-reliant economic development. It called for a new partnership between the national and local governments, evading the crucial questions of provincial participation and federalism. This document announced a new kind of policy formation process, organized around consultation via “democratic engagement” with social movements, voluntary bodies, local labor councils, public-interest think tanks and so forth. Canada Unlimited clearly represented an effort to address concerns about statism and narrow parliamentarism; however, it remained rather ambiguous about the content of a new national economic strategy as well as the intergovernmental reforms required for its implementation. Therefore, on its own it could not serve as a blueprint for the future.

Virtually simultaneously with the Canada Unlimited initiative, growing enthusiasm emerged within the NDP for a revamped statist approach to economic development. Economist Diane Bellemare gained support for a strategy modeled on the social democracy of small European states which rely on national direction of labor-market and regional-adjustment programs to sustain full employment.31 This proposal mapped out new institutional structures of federal-provincial cooperation, designed to institutionalize community input into national econo-

30 New Democratic Party, Canada Unlimited (Ottawa: NDP, 1985).

mic strategies. Appealing in its coherence and sweep, the proposal also depended on the willingness of provincial governments to surrender some of their autonomy and commit themselves to support for cooperative solutions.

Neither of these two initiatives was workable by itself, then. The Canada Unlimited position did not adequately address constitutional questions, basically submerging them into calls for local participation and generalized decentralization, overseen by the federal government. Despite the political promise of the party’s announced openness to popular groups and local struggles, only the most optimistic of democrats could believe that decentralized community development initiatives would succeed in overcoming the problems of a small open economy. This approach essentially left open the question of building a solid foundation for opposing free trade in the name of Canadian economic autonomy. On the other hand, Bellemare’s economic national strategy presupposed a political will not only of a party but also of the state. The constitutional implications of Bellemare’s full-employment strategy modeled on the unitary states of Sweden, Austria, and Norway suggest that there must be a way to recenterize not only the sponsoring political party but also the institutions of federalism. That such a strategy can be initiated by a party with the NDP’s internal pluralism is difficult to imagine.

Thus, in 1988, faced with two appealing but still unresolved views of the future, the NDP was immobilized on programmatic matters and its immobilization brought it back to the 1972 and 1984 strategies of contentious populism. This time the campaign was organized around the themes of “fairness,” “honesty,” and the integrity of the party leader; choosing to avoid broad economic issues, any references to a social democratic alternative were absent. Not surprisingly, the impression was created that the New Democrats were simply running to catch up with the Liberals in opposing free trade, despite the fact that the NDP was the only party which had mounted a principled criticism of further continental integration for years.

This position was extremely costly in an election when the only issue was free trade, and when it mushroomed to incorporate concerns and policy matters far beyond narrowly economic ones, substantially increasing opposition to the “deal.” It was also flawed because the constituencies traditionally targeted by the NDP — organized labor and the urban middle class of central Canada — became major actors in the anti-free-trade coalition. As the debate over free trade erupted, the NDP found itself marginalized; the consequence of relying on contentless populism in an election when there was a burning issue and no opportunity to tar the other two parties with the same brush.

Conclusion

In this chapter we have argued that to understand the failure of the NDP to make its anticipated breakthrough in 1988 and the conflict
which emerged immediately after the election, it is necessary to situate the campaign design in historical context by revealing its location in an on-going pattern of strategic compromise engendered by almost two decades of internal policy uncertainty. The campaign reflected a pattern of compromise responding in the first instance to the diversity of internal pluralism in the party, a diversity which followed from the ways in which postwar politics crumbled in the face of new conditions. From this perspective, the resort to polsters, "sound bites," issueless campaigns, and the stress on leadership can be seen more as a symptom of the NDP's difficulties than as a satisfactory explanation. It is necessary to ask when such an electoral strategy gains ascendancy and banishes proposals for coherent alternatives to the sidelines. The answer is obvious: when the party is uncertain about the way ahead. Equally obvious is the conclusion that the strategy's "success" hinges on factors beyond the NDP's control - the positioning of the other major players in the partisan struggle. Therefore the question becomes one of why the NDP has experienced such problems in offering a coherent response to changing postwar economic and political conditions. The Canadian story, it is suggested, is a story in which two questions — national economic development and federalism — have combined to pose not simply a double challenge but challenges which intertwine so as to undo the NDP ever more than if each had to be faced separately.

Yet, the resort to contentless populism, as the 1988 election and its aftermath demonstrates, is not a viable social democratic strategy and there is the risk now that it will generate even further internal conflict, rather than defuse tensions. Indeed such debate is already emerging in the NDP, turning on familiar themes although with interesting new combinations. The labor movement has questioned the NDP's sensitivity to what its campaign strategists interpreted as western Canada's opinion on free trade. It also claims that the party refused to pay attention to labor's advice "from the ground" during the campaign. New in such criticisms, however, is the suggestion that the labor movement may be willing to play a leading role in constructing a less parliamentarist and more movement-oriented representational strategy for Left politics.

These emerging perspectives provided an important focal point for the debate in the leadership contest of November 1989. Once again the party's long-standing internal pluralism came to the fore. The two leading candidates — former British Columbia Premier Dave Barrett and federal Member of Parliament Audrey McLaughlin — in their policy orientations, supporting coalitions, and images of the party, offered delegates rather discordant packages. Barrett emphasized protection of the western electoral base through strategic focus on provincial victories, underpinned by federal party politics sensitive to the regional economic grievances of "prairie capitalists," resource-sector workers, and farmers. In contrast, McLaughlin's representational targets were the new social movements, feminists, and central Canadian trade unionists seeking to build new coalitions with the so-called "popular sector." Moreover, electoral breakthrough in Quebec remained central to McLaughlin's strategic focus. Beyond their shared opposition to the FTA and the Meech Lake Accord, then, the Barrett and McLaughlin campaigns divided along lines reflecting the NDP's basic cleavages. Not surprisingly, the convention expressed these internal tensions rather than providing any authoritative resolution through policy or programmatic innovation. Indeed the narrow margin of victory for the McLaughlin forces combined with their leader's reluctance to offer broad policy visions leaves unstated the NDP's long-term adjustment strategy for the new conditions.

The task remains to elaborate and mobilize around a progressive adjustment agenda, sensitive to Canada's peculiar relationship between federalism, a regionalized national economy, and continental integration. Required to find not only an economic strategy for the free-trade future but also a set of arrangements for federalism, the NDP's task is a difficult one. But finding such a political alternative is essential if Canada is not to be absorbed quietly into the neo-liberal agenda of its continentalizing capitalists.