

# Looking for Solutions: Labour and the Crisis of Neoliberal Capitalism

By [Ingo Schmidt](#)

Global Research, October 27, 2008

[The Bullet](#) 26 October 2008

Region: [Canada](#)

Theme: [Global Economy](#)

For three decades after the Second World War, the ideas of British economist John Maynard Keynes provided the intellectual backbone of trade unions in Western developed countries like Canada. Unionists maintained their affinity with Keynes, despite his declaration that “class war will find me on the side of the educated bourgeoisie.” This affinity remained intact even during the dark ages of neoliberalism that superseded the postwar era of enlightened welfare capitalism.

In the context of the current crisis, with bankers and bosses abandoning their neoliberal beliefs and flocking to large-scale state intervention, union economists who never gave up on Keynes see their chances again. They hope that Keynes’ defense of union activity against liberal and neoliberal anti-union attitudes will find more of an audience than it did when the belief in free markets reigned supreme. The rationale for such hopes is provided by the collision between neoliberal postulates and the need for state intervention in the context of the current crisis. The theoretical attraction that Keynes holds for trade unions is his argument that wage cuts are not, as liberal and neoliberal economists suggest, a remedy to overcome crisis.

## The Keynesian Case Against Wage-Cutting in Crises

According to Keynes, lower wages may lead to lower prices because companies are under severe competitive pressure. As a result, buyers will expect future price reductions and thus postpone their purchases, reducing aggregate demand and therefore employment. To the extent that wage cuts do not translate into price cuts of the same magnitude, however, they lead to lower real wages, lowering the purchasing power of working class households. The effect is the same either way: decreases in aggregate demand and employment can turn a cyclical recession into a depression with devastating social consequences.

The political implications of this analysis are clear: wage cuts must be avoided if the desire is to prevent locking in conditions that will generate a downward spiral of wages, prices, aggregate demand and employment (a point that Karl Marx had also earlier made). Unions are the social agent capable of performing a stabilizing function by resisting wage cuts. In Keynes words: “every trade union will put up some resistance to a cut in money-wages, however small.” Those seeking to avoid a deterioration of recession into depression by means of maintaining wages, however, would also support government spending to overcome the lack of aggregate demand that caused the recession in the first place. Keynes devoted almost all of his General Theory of Employment, Interest and Money (1936) to making an argument for the use of fiscal policies as a remedy for economic crisis.

## The Limits of the Keynesian Case

Politically, Keynes' suggested strategy rests on trade unions that are able and willing to resist wage cuts in times of crises and governments that are willing to use deficit spending as a means of raising the economy out of a slump. None of these conditions holds today. Canadian unions, like their counterparts in most other developed countries, were on the defensive from neoliberal policies of wage restraint and fiscal austerity long before the crisis hit. Struggling with hostile employers — whose anti-union repertoire includes shutting down locations where workers are involved in organizing drives, to back-to-work legislation against public sector strikers, the re-organization of work processes and the deployment of organizational forms that are resistant to the control of industrial and craft unionism — unions were pushed back and forced to accept concession bargaining. Thus, they may not be in a position to successfully resist employers' pressure for wage-cuts.

Recent union organizing drives, such as those of the SEIU and UNITE-HERE or living wage campaigns such as that of the HEU in British Columbia, valuable and important as they are, haven't generated enough successes to allow unions to negotiate the kind of sectoral wage agreements that would be essential to a Keynesian counter-crisis strategy. Such negotiations are further hampered by the extremely fragmented bargaining structure that exists in Canada. Even significant membership gains wouldn't change the fact that collective bargaining is conducted in myriads of bargaining units among which there is little or no cooperation. Such cooperation, via centralized or pattern bargaining, would be required to negotiate wages for workers in Canada in such a way that labour's share of national income could be defended or increased at the expense of the share going to corporate profits.

Generating sufficient bargaining power is not simply a question of increasing union membership, cooperation and re-organization. It also depends on the engagement of the rank-and-file. Certain layers of the working class (and this is more true for unionized than non-unionized workers), are not only workers but also stakeholders. They own houses, have access to consumer credit and have their retirement savings invested in stock markets. While they are small fish compared to big money, it is precisely for this reason that they are suspicious of any economic policy that might endanger their stakes, however small. Consequently, they are open to those who promise to defend these stakes. Ultimately, the question these workers are facing is whether they believe their future will be better secured by doing what is necessary to remain members of the diminishing group of small stakeholders that allies itself with the propertied classes or by making common cause with the property-less workers who have a great deal to gain from unionization and increased social protection.

Organizing the unorganized, coordinated or centralized bargaining and coalitions with activists who work in the lowest rungs of the working class are not the only prerequisites to successfully pursue Keynesian reform policies but also more radical policies necessary to address underlying distributional and class inequalities. Such policies also require a labour presence in the political arena. At this time, there is little of such presence in existence. Admittedly, many union leaders and members (certainly not by all) see the NDP as labour's representation in parliament. During elections, many politicians employ a rhetoric that makes them sound very progressive. However, neither hopes for the NDP nor all-party appeals to hard working people can conceal the fact that labour has hardly any stakes in the existing political-economic system. Workers in the Soviet empire were told that five-year-plans in their centrally planned economy would bring them closer to a workers' paradise.

Workers in the empire of capital are told that tax breaks and balanced budget will pave the way to a stakeholder paradise in which differences between bosses and workers evaporate. Though the credibility of such neoliberal promises has been damaged by the current crisis, they still impact economic policies.

Thus, breaking away from the neoliberal ideas that have achieved the status of a popular religion since the 1970s, when the political and propertied classes abandoned their postwar deal with trade unions, social democracy and Keynesianism is difficult for everyone, from the boardrooms of the rich and powerful to the street corners where the downtrodden congregate. From this angle it could be argued that today's question is not so much whether Keynes will have a comeback after the neoliberal age, no matter how inspiring his ideas are intellectually, but how to get people involved in a collective search for ideas and policies to stop efforts by big capital to shift the burden of the current crisis onto the shoulders of the working class and the poor.

The original source of this article is [The Bullet](#)  
Copyright © [Ingo Schmidt](#), [The Bullet](#), 2008

---

[\*\*Comment on Global Research Articles on our Facebook page\*\*](#)

[\*\*Become a Member of Global Research\*\*](#)

Articles by: [Ingo Schmidt](#)

**Disclaimer:** The contents of this article are of sole responsibility of the author(s). The Centre for Research on Globalization will not be responsible for any inaccurate or incorrect statement in this article. The Centre of Research on Globalization grants permission to cross-post Global Research articles on community internet sites as long the source and copyright are acknowledged together with a hyperlink to the original Global Research article. For publication of Global Research articles in print or other forms including commercial internet sites, contact: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)

[www.globalresearch.ca](http://www.globalresearch.ca) contains copyrighted material the use of which has not always been specifically authorized by the copyright owner. We are making such material available to our readers under the provisions of "fair use" in an effort to advance a better understanding of political, economic and social issues. The material on this site is distributed without profit to those who have expressed a prior interest in receiving it for research and educational purposes. If you wish to use copyrighted material for purposes other than "fair use" you must request permission from the copyright owner.

For media inquiries: [publications@globalresearch.ca](mailto:publications@globalresearch.ca)