

the myth of the modern state

"a private benefit at a public cost"

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(CUP) -- The Canadian state has worked hard to make democracy safe for capitalism. Its many bureaucratic organs (the executive and legislative branches, the judiciary, the military, crown corporations and regulatory commissions) faithfully coordinate the exploitation strategies of corporate wealth.

In both Keynesian and Marxist economic theory, the increased intervention of the state in the economic life of the nation has become the means by which capitalism rescues itself from collapse.

The relationship between the economic institutions of capitalism and the legal fictions of the state was revealed by the recent events in Chile. When the state's activities threatened the accumulation of private capital, a right-wing recapturing of the state apparatus was organized. Liberal fantasies to the contrary, the state has rarely served to lessen the injustices of the capitalist economic system.

The many activities of the state not only reinforce the essential features of monopoly capitalism but they propagate the image of the state as an instrument of social reform. This essay attempts to debunk the more repugnant of these liberal myths.

"THE EXECUTIVE OF THE MODERN STATE IS BUT A COMMITTEE FOR MANAGING THE COMMON AFFAIRS OF THE WHOLE BOURGEOISE" KARL MARX. (A German economist.)

The state is now big business. Over one-third of the gross national product passes under the control of the various levels of Canadian government. The vast majority of these funds are spent on providing a secure and profitable environment for corporate investment. The Canadian government(s) have subsidized the development of the massive transportation and hydro-electric systems (infrastructure) and have heavily financed those supporting services which are too risky or yield too little profit for corporate investment.

In order for capitalist economies to function at optimum levels, the consumer and labour markets must be linked to the extractive and productive regions. Although the enormous costs of railroads, highways and airlines (which are either crown corporations or heavily subsidized) have benefitted those middle-class consumers who can afford them, the main advantages accrue to big business.

Over 75 percent of all airline travel is by businessmen and 85 percent of all rail service is for private enterprise. Highways, promoted by both the automobile and construction lobbies, have consumed hundreds of millions of tax dollars in connecting highly profitable but isolated resource-extraction industries to US markets. The net result is that, "The tremendous sums spent developing the transportation grid have permitted a systematic rationalized exploitation of the natural resource sector of the Canadian economy. The state by underwriting the expense of the transportation grid and 'socializing' the costs, has intensified the crisis in one instance and has been responsible for re-inforcing the dependence of the Canadian hinterland upon the industrial-metropolis to the south on the other." (R. Deaton, Our Generation Vol. 8, no 4)

to dree or not to dree

The department of Regional Economic Expansion was established to gain votes and diminish regional disparities by increasing employment in the underdeveloped areas -- particularly the Atlantic region and eastern Quebec. The previous corporate welfare programs had been relatively haphazard, although from 1963 onwards, the Regional Development Incentives Act and the Area Development Incentives Act had succeeded in wasting so much money, that Jean Marchand, now head of DREE, was prompted to comment about the grants: "We would be providing some companies with more incentive than they really need and the difference would be a windfall profit at a public expense."

Marchand was obviously possessed with a prophetic irony. Since 1969, DREE has given away approximately half-a-billion dollars in corporation grants. Although certain groups have raised their status in Canadian stature, notable the 95 corporations which traditionally support the Liberal Party and the corporations represented by the various businessmen, who in a non-conflict of interest, sit on the Advisory Board to DREE, the Canadian economy as a whole has probably suffered.

Through an uncoordinated pursuit of incompetent policies DREE has actually increased the unemployment rolls in many areas. To cite some examples:

In 1971 DREE gave 15 million dollars to the 'needy' firm of Proctor and Gamble in order to build a mill that produced Kraft bleached paper.

In 1972, they gave 13 million dollars to the much maligned ITT in order to build a pulp mill in Quebec.

The result of this subsidized competition in a shaky industry was that 875 workers in an existing company in Temiscamisque, Quebec were thrown out of work.

The story of Celanese Canada is equally amazing. Celanese received a government grant of 500,000 dollars which they used to consolidate their weaving operations. So, they laid off 450 workers in one plant and added 15 jobs in the other two plants. They then sold the shut-down plant to another corporate group which re-opened it and rapidly received a 2.5 million dollar grant from the red-faced DREE officials. This created jobs for 436 workers. Altogether then, 3 million dollars was spent in the creation of one job in the weaving industry, and it must be assumed, a few more in the Ottawa bureaucracy.

DREE has a special affection for large corporations. Northern Electric, a subsidiary of Bell, which has earned a mere profit of 1 billion dollars in the last ten years, received a ten million dollar grant in 1969 and laid off 3000 workers in the following year. DREE has made more than friendly overtures to other independently wealthy corporations: B.F. Goodrich (1.1 million dollars), Union Carbide (2 Million dollars) and IBM (6 million dollars)

But it seems that nobody except the corporations really appreciates DREE.

The Quebec Federation of Labour states that DREE has perpetuated outside control of Quebec's economy, has neglected the poorer areas of the province, and has given most of their grants to the large corporations who treat them as gifts.

And the Canadian Science Council has suggested that it would be more profitable to subsidize small-scale manufacturing since the effect of DREE so far has been limited to the subsidization of inefficiency.

But the main dissatisfactions have been registered by the

Atlantic Provinces Economic Council and the Atlantic Development Council.

They complain that with the increasing bureaucracy and 'politics' of DREE, their share has dropped from a much needed 33 per cent to an insignificant 12 percent of grant money. They point out that the large corporations supported by the government are capital-intensive. Therefore, government grants encourage private profits from technological advancement rather than employment and regional development.

Typical of the government's policy was the subsidization of Michelin who received grants and loans of 88.97 million dollars from the federal and Nova Scotia governments.

In a report to the US Commission of Customs, Michelin stated that the grant had no effect on their move to Nova Scotia.

The only externally commissioned examination of DREE confirms this as a pattern. The report concludes, "Movement of location of plants within Canada is minimal, and significantly grants produce few changes in respect to project timing, project size, or technology used... Roughly half of the incentive grants do not influence investment in any significant manner and can be considered to be windfall gains."

And this program is the one which the government is proud of! No wonder we citizens never hear of the backdeals and intricacies involved in the remaining myriad of corporate handout programs. It is not surprising when we finally find out that Canada gave away over 200 million dollars in grants to defence contractors over the past six years. It is even less surprising the 80 percent of these grants were to US multinationals.

The state's half-hearted commitment to ending regional disparities is not accidental. In order to make any progress in such a venture, the government must not only subsidize a particular industry for a period of time but it must also subsidize a whole network of supporting services, consumer industries and a technical infrastructure.

Such a commitment can only be funded by taxing the high-profits of corporations over a long period of time. Such a course would risk disaster for the love-relationship between the state and corporations. And both these groups are more than whole-heartedly dedicated to screwing everyone else up.