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Labour intensive industry loses money.

doing the same sort of thing in the right kind of industry.

If the competitive model held water, the Canadian economy would generally not be able to tolerate major differentials in wages nor the simultaneous existence of a high rate of enemployment and a lot of vacancies in the job market.

Canada's economy has been able to do precisely those things. The economists with faith in the competitive model explain this quite simply: workers, they contend, do not like to move from place to place, or from job to job. Workers are not well enough informed about better jobs in other locations; and even those who do find out about better work elsewhere are generally not willing to uproot their families and move on to another location.

This argument may solve the problem as far as the competitive model goes, but it doesn't jibe with the facts. Canadian workers are quite mobile; during the period 1952-56, for example, more than half of all workers covered by unemployment insurance changed their jobs (on the average) at least once a year. This was higher than the rate for American workers; and Americans, in relation to workers in other countries, are fairly mobile themselves. Low-wage workers, certainly, are willing to move around. So, when Prime Minister Trudeau (who evidently retains an orthodox faith in the competitive model) told an unemployed worker in the winter of 1970-71 that he would find a job for him in northern Ontario, he was not proposing a serious solution to the problem of unemployment, but merely ducking the issue by attacking an individual.

Moving to northern Ontario, in fact, is unlikely to help. The competitive model assumes that unemployment is aggravated by the unwillingness of workers to pull up stakes and move to outlying regions. But Canadian workers move around a lot during good times, when unemployment is low, from one job to another. Labour mobility drops during bad times, even though more workers are unemployed. If workers are willing to move when they have jobs already, then they should be even more willing to move when they do not have jobs; and so the fact that mobility drops in bad times means that jobs in outlying regions dry up at the same time as other work does. (In 1951, a relatively good year, the worker turnover rate was about ninety-two percent of the total number of jobs in the country; in 1954, during a slump, the rate had declined to seventy-eight per cent. It rose again to eighty-six per cent in 1956, a good year, and fell again to seventy-three per cent in 1958, a bad one.)

But even high mobility rates do not mean that workers are moving from low-wage to high-wage jobs, as the competitive model would assume. A lot of the moving around is from one low-paying job to another. Access to high-paying jobs is limited, and not merely by lack of training; for if high-wage industries' really needed workers, they would be doing a lot of training of workers themselves. The problem is not that workers don't want to move around within the economy; the trouble is in the economy itself.

If the problems of wage differentials were caused by the unwillingness of workers to move or change jobs, then the highest wages would be paid in those industries that are expanding and need to coax more people into working for them. Sylvia Ostry thinks that this is in fact happening, at least some of the time. Barry Bluestone, on the other hand, analyzed U.S. data for the period of 1947-66, and couldn't make any relationship between demand for labour and high wages stick; he found several low-wage industries that had expanded production at an above-average clip, but raised wages *less* than the average. So employers do not depend on the payment of high wages to attract new workers; at least, not all the time.

There is another hitch. When theproductivity of an industry rises, wages can be raised, profits increased, prices lowered, or all three at once. So, according to the competitive model, when firms become more productive, they will cut their prices and force their competitors to follow suit. This does, in fact, seem to happen low-wage, competitive industries, inasmuch as productivity gains are not reflected in the growth of wages. Bluestone found that

> ...the productivity gains in the low-wage industry are not reflected in relative wage-rate changes in low-wage industry. Rather than contributing to higher wages, productivity increases are either being absorbed into broader profit margins or otherwise into lower prices due to raging competition.

The ploughing of productivity into price cutting happens, of course, only when there is competition between firms. In industries where there is no competition worth speaking of - in monopolistic or oligopolistic industries, controlled either by one firm or by a small group of firms - increases in productivity get skimmed off as profits. This, ironically, does not pay off for the worker; owners of companies in a monopoly or oligopoly situation generally do pay decent wages. (Companies may be reacting to union pressure, or ensuring that their work forces remain good ones, or simply being careful about public relations.)

The real connection, then, is not between labour demand and high wages, but between industrial concentration and high wages. Companies that can do just about as they please in the market can also afford to pay; and generally do pay, relatively high wages. Furthermore, companies that have a great deal of this kind of control over their markets are generally large, and use a relatively small amount of labour to turn out their products - that is, they are "capital intensive," and use a lot of hardware, or anything else that requires money as opposed to labour, to make their cars, or boats, or whatever. Small companies on the other hand, generally use a lot of labour and relatively little capital to turn out their products or provide their services. They are labour intensive, usually highly competitive and, as a rule, don't pay their workers much.

The small, labour-intensive businesses are the ones that behave most like businesses in the competitive model; and they are also the ones that pay low wages. The large, capital-intensive businesses don't have to worry much about competition, so they can pay high wages to their workers and pass the costs of the high wages along in the price of the products. (It won't raise the price much, because there's not a lot of labour involved in the final products anyway.) If these large businesses were truly competitive in the way that the competition model assumes they are, they would be forced to pass the benefits of increased productivity along to the consumers, rather than keep it in profits or pay it out to the high-wage employees of the small, competitive forms – so, those low-wage workers are not only being paid badly, but they're actually subsidizing the wages of people who are being paid a lot better. Poverty, then, at least in this sense, is the result of an imbalance of economic power between businesses and by extension, the people who work for those businesses.

The number of workers who get a crack at high-paying jobs is severely restricted. Monopolies and oligopolies tend to keep a strict watch on the number of products they are turning out, in order to make sure that they are receiving maximum prices for each of those products. If the monopolies or oligopolies were made competitive, more products would be turned out as a result of the competition and extra high-wage jobs would be created. So the competitive-model ideal of worker movement from low-paying to high-paying jobs doesn't work out in reality; for where there is not much industrial competition, there just aren't enough high-paying jobs to go around.

The competitive model premise that capital moves into high-profit industries and so makes them competitive sounds as though it ought to be right, but it runs into trouble in the real world. For when those high-profit industries are monopolistic and capital intensive, it may take a tremendous amount of money to set up in competition with them; and they may cut prices, temporarily, in order to force any new competition out of business. The established companies, moreover, have likely used advertising to create loyalty to brand names, with may be too solid or expensive to weaken, and so form another barrier to competition. Governments help out with restrictive patent laws which are discussed in III.5. So no new competition can get off the ground; the profits stay where they are; the number of jobs remains restricted.

High-wage industries, then, tend to be capital intensive, profitable and not very tolerant of competition. Low-wage industries are very competitive, use a lot of labour and aren't very profitable. So much for that aspect of the free-competition model.

The American economist Robert T. Averitt has identified two economies within the United States that split along roughly the same lines as those described above: The *periphery economy*, which tends to be labour intensive, competitive and low paying; and the *centre economy*, which tends to be capital intensive, non-competitive, and high paying. The two economies are, of course, not entirely separate; in fact, many large corporations, charter members of the centre economy, own or control businesses in the periphery economy in order to safeguard their supply lines. Automobile manufacturers, for example, may own or control auto-parts manufacturers and act as their sole customers – but wages in the auto-parts companies will remain a lot lower than wages in the auto maufacturers' main plants.

The corporations that control the market tend to avoid any flat-out expansion of their production ("capital widening") in order to prevent the market from being swamped; they can therefore keep the prices of their products as high as possible. But the market control exerted by the high-wage industries also puts limits on capital deepening, or mechanization, in the low-wage industries – the mechanization that was supposed to act as an equalizing device in the competitive model. For low-wage industries, which are competitive, are forced by their competition to pass along any benefits from increased productivity to the consumers, instead of keeping it in profit; the high-wage industries of the centre economy are not forced by competition to do anything at all, so profits from increased productivity–including the benefits of technology–can be kept in the family.

Sooner or later, a lot of money winds up inside the corporate structures; and Canada's tax laws, which tend to be quite

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Fight industry...

Co-operatives help free individuals from the values of corporate system

The road upon which the corporation develops is the road down which we are forced to travel and along which society is being structured. We will find it to our life-long regret that we had no say when the road was being built. Like an Army we shall march down it: disciplined, subordinated, pacified--content to march to we know not where, row upon row, like ants in suit and tie--the gray men-lot, forlorn; mindless of ourselves and others--watching with glassy eyes people marching, neighbours marching, marchers marching, gray men marching--to God knows where.

Why should there be a co-operative movement? There is no reason whatsoever, unless it is the case that the predominating corporate life-style has brought no happiness, but mediocrity, manipulation, and the spiritual impoverishment of human existence.

Institutions of heirarchical authority cannot function with the efficiency that is their guiding principle unless they adapt the individual their system.

The corporate man is directed by the prescribed patters in the day to day norms of work and the autonomy of his values threatened by the pressure of the social structure. The conformity cultivated by corporate life does not satisfy our basic human needs but leads instead to collective loneliness. The corporate system has utilized and distributed its immense accumulation of material wealth so as to subordinate human needs to the demands of corporate expansion. Too many are excluded from the material benefits of the corporate system and too many others are reduced to empty shells on account of their inclusion.

The co-operative movement is an attempt to create a social milieu that will free the individual from the goals and values of the corporate system. To this end the co-operative movement aims to establish economically viable and personally satisfying communities that encourage the feelings of trust, engagement, and mutual respect. Make no mistake, the injuries that are perpetuated on the individual psyche by the corporate system evidence themselves only too often in co-op members. But ours is a healing process. We attempt to combat banality, superficiality, and exaggerated individualism with genuine human relationships, and co-operative effort, while suffering under no illusions as to the complexities of the undertaking.

The first step in the co-operative program is to establish a consumer co-operative that provides housing, food, and clothing for members from all walks of life. In particular the co-operative movement hopes to build on the changing consciousness of youth before the youth phenomenon takes a perverted character or is reintegrated into the corporate system. The co-operative attempts to concretize the reaction of youth to an alien and alienating system by creating a social structure in which qualitatively different personal relationships are established. At the same time the co-operative is very much dependent on the present system for financing. In fact the generation of capital must be recognized as one of the most difficult problems. To attempt to compete with the corporation of the same footing requires subservience to the same economic forces, technical rules, and exigencies of organization that make corporate life untenable. However, if relations can be drawn among the various groups excluded from the corporate system, such as small farmers, tenants unions, native people, and other disadvantaged groups, then co-operation and ordination can act as a source of strength. Drawing the relations among these groups is essential to the vitality of the movement for concerted action holds the strongest promise of success. Let us have mutual aid. The seeds of the new society should exist in the relations Co-op members have with each other, with other co-ops, and other groups in need of sympathy and support. The small farmer and the urban co-operative should get together in the operation of a food co-operative. Tenants' unions should be encouraged as a step towards housing co-operatives. It remains to be seen whether the government can be convinced to change legislation inhibiting the growth of the co-operative and the drawing of relations between disadvantaged groups.

Another strategy, which starts at the place of work, attempts to create a producer's co-operative through worker control of the industrial plant.

The co-operative cannot see itself as a full solution to the spiritual and material impverishment of life. We must not forget that is is we who have created the existing institutions and that therefore it is in our power to change them. The co-operative movement points in the direction of this needed change.

Remember Gandalf is on our side.

by David Cook