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For defenders of the capitalist faith, poverty is the central flaw that must be rationalized. And they have always had a pack of lies to sell the public on that one. In 1970 the Canadian Chamber of Commerce wrapped up some of the old myths in the fancy packaging of a formal brief and submitted it to the Senate Committee on Poverty.

The Chamber's view of extensive social security plans maintains that if you give a man enough money to subsist we believe generally you will destroy his incentive to work. In fact there are places which have come to accept handouts as a way of life.

However the debate about incentive overlooks the real difficulty. And it is that if any group is assured substantial welfare assistance without working for it, a much larger proportion of the population whose efforts must support those on welfare out of their productive efforts will eventually lose their incentive to labor.

Every industrially advanced society has adopted the obligation to assist or provide for the less privileged. But we must not overlook the fact that most people in our society are capable of achieving such a standard by their own efforts...Much can be said for the inherently therapeutic value of, and strong need to, work.

The facts are unfortunately quite different.

The Economic Council of Canada defines poverty as: "insufficient access to certain goods, services and conditions of life which are available to everyone else and have come to be accepted as basic to a decent minimum standard of living." Using such figures for a poverty line as \$3500 for a family of four, they find that four and one-half million Canadians are poor. If families who have an additional ten dollars of week income are included as living in nearby impoverished conditions, approximately forty per cent of all Canadians would qualify for this subsistence. But even the magnitude of these statistics cannot communicate the suffering of poverty.

If you are born into the wrong family it means that you probably will not attend school beyond grade nine. Over one million Canadians are functionally illiterate. If you are poor you will likely die early and receive substandard medical and dental care all of your life. The Welfare Council estimates that two-thirds of all poor children are malnourished. Your whole family, not possessing any legal knowledge or funds, will inevitably be exploited by the credit unions and businesses in your slum areas.

If you are an Indian, Metis or Eskimo the chances are eight in ten that you will live in utter deprivation without running

water or toilets. Another five and one-half million Canadians live in overcrowded, degenerating dwellings. One and one-half million of the poor are elderly and over three million women undergo the material lacks and stigma of poverty. Regions are not equally treated either. Over half the population of Newfoundland is poor. Yet despite the higher rates of rural poverty, in Ontario, the wealthiest and most urbanized province, there are over one million poor.

The popular misconception of poverty is that it is the result of an aimless disposition and a shiftless character. Poor people are advertised as bad citizens and poor examples. But the Economic Council of Canada has found that three-quarters of the poor work full-time. The majority of poor families, in fact, have two working members. And of the remaining poor, who receive social assistance as their main source of income, most are old, handicapped, or women with children and no husbands. Indeed the Special Senate Committee on Poverty estimated that only 2 per cent of those on welfare are "chiselers" who are actually avoiding employment. The poor are not poor because of a refusal to work; they are poor despite their willingness to work.

Poverty is not an individual matter — it is an unavoidable trap. The Economic Council of Welfare has predicted that 2,000,000 children today are destined to lead adult lives in poverty. And Leo Johnson, a historian at Waterloo, has demonstrated that over the last generation there has been no change in the extent of poverty. In fact the gap between the poor and wealthy has steadily widened. Even the government locates the source of poverty within the broader social and economic matrix. This is strikingly evident in their attempts to reduce inflation through the deliberate creation of unemployment.

So poverty is not merely an isolated or an unhappy phenomenon. If instead of imitating the liberal academics who study the personal characteristics of the poor, we investigate the causes of low-wages and unemployment, we see that there are obvious explanations of Canada's widespread poverty. It is the poverty of capitalism.

In capitalist economies, two distinct sectors, a center and periphery economy, can be distinguished. The centre-economy consists of high-wage, capital-intensive and oligopolistic corporations. The periphery economy consists of low-wage, labor-intensive, highly competitive businesses.

Usually high-wage industry is associated with a high investment of capital in machinery and technology rather than in labor. Therefore, wages in these

industries do not constitute a substantial portion of the costs of production. Because such enterprises require tremendous initial outlays of capital, and detailed long-range planning, the high-wage sector is controlled by one or only a few large corporations. In Canada they are mostly American owned, e.g., automobile industry (97 per cent), petroleum and natural gas industries (62 per cent), mining industry (52 per cent) and agricultural machinery (50 per cent). Demands for higher wages by workers can be easily

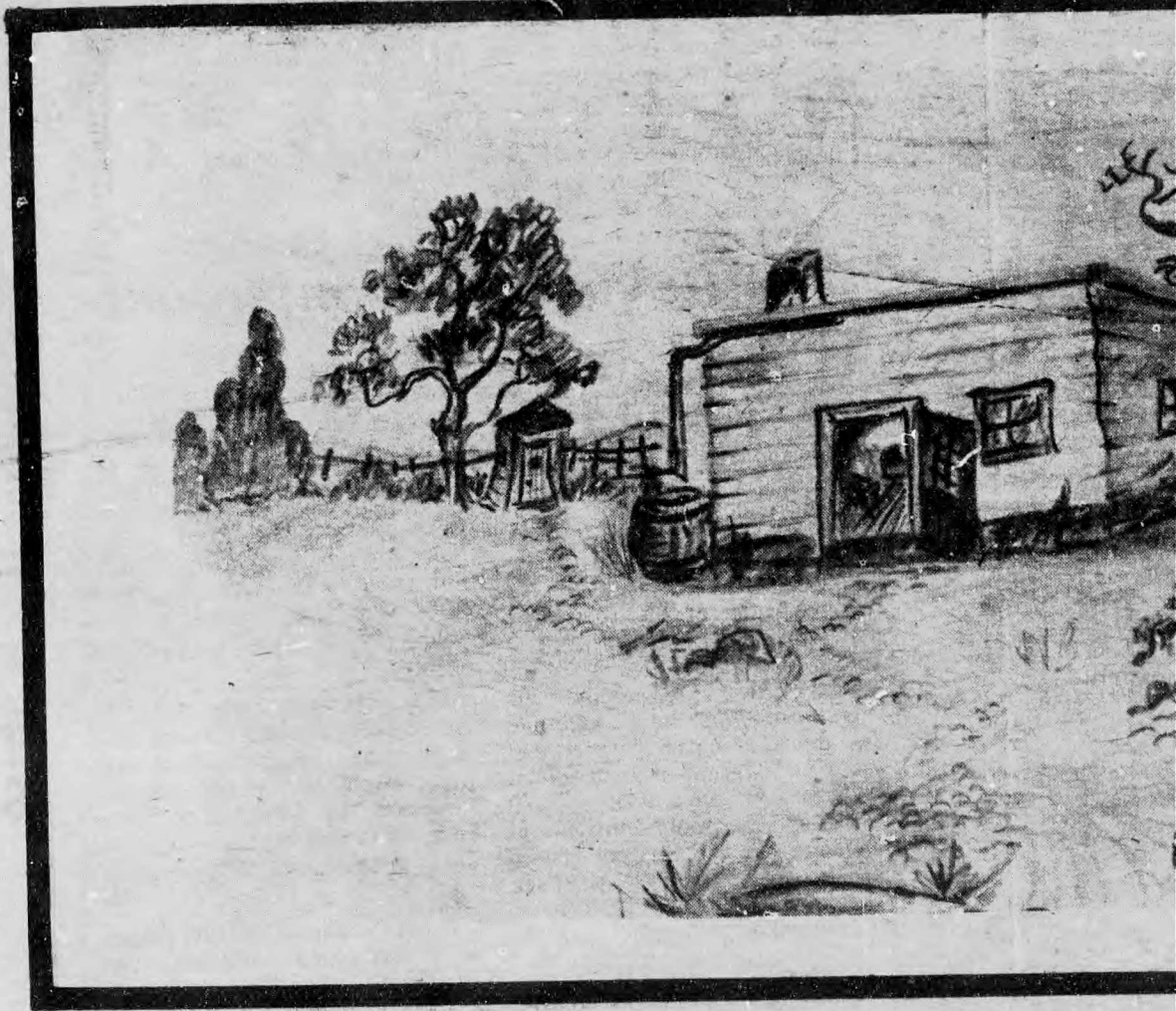
profits are mostly retained for technological expansion. This drives the stock value of the shares upwards, making a profit for the shareholders, as well as monopolizing the financial market — making it difficult for those industries in the low-wage sector to attract enough capital to expand. In times of recession, those areas of high-wage industry which produce expensive materials used in personal consumption or corporation expansion are forced to cut back on production and lay off workers. Particularly hard hit are the

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CANADA'S THE PRICE CAPITALISM



absorbed as the extra costs and simply passed on to the consumer in the form of price increases. It is generally more expedient for these companies to jack up their prices than to engage in costly labor disputes which result in the inefficient usage of their capital investment.

Because of the technological requirements of these industries, the proportion of skilled to unskilled workers is high. Workers are relatively well-organized into unions and derive correspondingly high wages and fringe-benefits. However, in particular cases corporations will combat strikes by shifting sites of production or outlasting their employees. These firms' huge

construction industry, consumer-durables, and the machine-producing areas.

The low-wage sector is composed of those industries in which the cost of production is heavily dependent on labor costs. Wages, for instance, in the clothing, textile, wood and leather industries are usually very close to the minimum wage level and in many areas studied in Ontario, actually below \$1.25 per hour. There is less need for capital outlay and industries of this nature can be more easily started, expanded and cut-down. Hence, there is much more competition which is further increased by the relatively small political leverage these firms possess in influencing

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