WORKING FOR THE CLAMPDOWN:
HOW THE CANADIAN STATE
EXPLOITS ECONOMIC CRISSES TO
RESTRICT LABOUR FREEDOMS

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Stop wasting your time, there’s nothing coming
Only a fool would think someone could save you
The Clash, “Clampdown,” London Calling (1979)

Introduction The economic and political crisis that began in 2007 highlights the inherent flaws in neoliberal ideology and practice. While neoliberal ideology has suggested that the state should be shrunk and that the best way for markets to operate is without state interference, the practice of actually existing neoliberalism has been a state that actively intervenes in the market: this contradiction between neoliberal ideology and practice is not new.

This article examines the actions of the Canadian state during the economic crisis that began in 2007—popularly referred to as “the Great Recession”—during a round of collective bargaining between the Canadian Autoworkers Union (CAW) and the “Big Three” North American auto producers (i.e., Chrysler, General Motors (GM), and Ford). The Canadian state took virtually unprecedented action by intervening in otherwise free, private sector collective bargaining in order to coerce the union into signing a concessionary collective agreement. While neoliberal governments of all stripes have been hostile towards the labour movement, this article argues that, during times of economic crisis, neoliberal governments have been able to act in an exceptionally coercive manner towards unions. Further, it suggests that the form of the coercive action undertaken is not always the
same; it depends on the form of the crisis in question.

This paper is divided into four main sections. The first section provides a brief overview of the current crisis of capitalism and the Canadian state's response to it. The second presents a theoretical overview of neoliberalism and trade unions, paying particular attention to the role of the neoliberal state with regards to the labour movement. This section concludes with a brief overview of the previous times the Canadian state has exploited economic crises to attack the labour movement—namely the Wage and Price Controls of the 1970s and 1980s and the Social Contract Act in the 1990s in Ontario. The third section provides the case of interest for this article—the collective bargaining between the CAW and the Big Three auto producers—and highlights the state's involvement in this round of bargaining. The final section sketches out some theories about the role and nature of the neoliberal state in Canada.

The Crisis This Time The causes of the Great Recession—both the structural crises inherent in capitalism and the particular crisis spurred on by the burst in the subprime mortgage bubble in the United States—have already been written about in great detail. Much of the critical Left writing on the crisis (usually arising from some variant of Marxist political economy) has focused on the causes of the crisis and proposed solutions to the crisis. But the literature has largely ignored state responses to the crisis and to the labour movement.

Part of the solution to the Great Recession was positioning the state as a dominant political and economic actor. In an attempt to stimulate economic growth, the Canadian Federal Government introduced the Economic Action Plan to create jobs through various infrastructure projects. At the same time, the Canadian Government, as well as various provincial governments, exercised coercive power by imposing austerity measures on the Canadian labour movement and broader working class, both of which allegedly bore at least partial blame for the crisis. In doing so, the Canadian state acted to secure the long-term profitability of capital by restricting union activity. As with previous crises of capitalism, the Canadian state used the Great Recession as a justification for restricting trade union freedoms.
and activities; this time, however, the Canadian state took virtually unprece-
dented action by unapologetically intervening directly in private sector
collective bargaining on the side of capital: the Federal and Ontario
Governments put immense pressure on the CAW to accept concessions as
a condition for public financial assistance to the Big Three automakers.

**Neoliberalism and Trade Unions**
To quote American businessman Warren Buffett, “there’s class warfare, all right, but it’s my class, the rich class, that’s
making war, and we’re winning.”

Neoliberalism can be understood as a
form of class warfare; as a political and economic theory, neoliberalism
“proposes that human well-being can be best advanced by liberating
individual entrepreneurial freedoms and skills within an institutional fram-
work characterized by strong private property rights, free markets and free
trade.”

In practice, neoliberalism has been “a project to achieve the restora-
tion of class power” by the capitalist class, an attempt to restore whatever
power was lost during the era of Fordist Keynesianism. Coming out of the
era of Fordist Keynesianism, at both a rhetorical and policy level, neolib-
eral states and the capitalist class saw the distribution of wealth as too skewed
towards workers and their unions, and so they have instituted public policies
to redistribute wealth towards corporations and the already wealthy. Whatever
else it has accomplished, one major achievement of neoliberalism has been
a great transfer of wealth upwards from the working classes to the
bourgeoisie.

Neoliberalism, in ideology only, proposes a “return” to a smaller state—
one that retreats from the economy as much as possible; in practice, there
has been a reorientation of states towards supporting markets. Further, neolib-
eralism is openly hostile to all forms of collective economic action, holding
that the most important unit of economic analysis is the individual and that
individual economic action leads to greater prosperity. Because of these key
tenets of neoliberalism, neoliberal governments have been antagonistic to
trade unions. Unions are seen by neoliberals as barriers to market activity
and growth: collective bargaining distorts market activity that otherwise
would be determined by the invisible hand of the market. Generally, neolib-
eral governments have restricted trade union freedoms in an effort to reduce
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the economic impact of unionism. Coupled with this, as the theoretical underpinnings of neoliberalism have become “common sense” (in the Gramscian meaning of the term), unions are faced with public opinion, and sometimes the opinion of their own memberships, that trade unions are outdated and unnecessary. The labour movement is left fighting hostile governments and often a hostile public.

While neoliberal theory derides state intervention in the economy, in practice neoliberalization has involved a great deal of state activity in the market. States have been quite active in promoting and facilitating the further commodification and marketization of land, labour, and money, and in removing perceived barriers to capitalist accumulation. Neoliberalism could not have become what it is today without the involvement of an active neoliberal state.

The neoliberal state has frequently intervened in the economy in order to create and maintain the material conditions for high levels of capitalist accumulation. This has involved, amongst other major policies, reductions in the corporate tax rate, the retrenchment of welfare state provisions, and assaults on trade union freedoms. Panitch and Gindin have noted that the Great Recession has left the neoliberal ideology of state noninterference in markets largely intact: while the fiscal crisis has shown that the capitalist state involves itself in markets to ensure continued profitable accumulation, the widespread call today for the state to return to its idealized, neoliberal role as a “neutral and benign regulator” has shown that neoliberal ideology has gone largely unchallenged.8

Leo Panitch, borrowing from James O’Connor, has defined the three roles of the capitalistic state: accumulation, legitimization, and coercion.9 The capitalist state uses the power of coercion in pursuit of accumulation, but must continue to legitimate itself and the capitalist system as a whole. These roles, however, can grate against each other and cause internal tensions and contradictions within the capitalistic state:

The state must try to maintain or create the conditions in which profitable capital accumulation is possible. However, the state also must try to maintain or create the conditions for social harmony. A capitalist state that openly uses its coercive forces to help one class accumulate capital at the expense of other classes loses its legitimacy.10
The capitalistic state must balance accumulation and legitimization to allow the capitalist class to accumulate as much profit as possible without endangering its own legitimacy, and it must therefore use its coercive function sparingly.

The “common sense” of neoliberalism is centred around market-based activities and freedoms. An extension of this common sense is that organized labour is a threat to the unfettered operation of the market. In practice, a key component of neoliberalism has been the dramatic curtailing or outright abrogation of trade union rights, and also the manufacture of public consent for this undertaking. As the state interferes in the market to provide conditions more favourable to capitalist accumulation, the coercive actions the state takes towards organized labour are legitimated. Here, under neoliberalism, we see a dovetailing of the legitimation and coercive functions of the state: by attacking the so-called enemies of free market-based activity, the actions of the state seem legitimate. This also partially rectifies a contradiction between neoliberal theory and practice: while states are supposed to stay out of the market, state involvement in the market to free the market is seen as acceptable and legitimate.

The neoliberal capitalist state thus uses its coercive function to create and maintain private property rights, to secure profitable capitalist accumulation. The legitimation function then operates under the logics of neoliberalism. Neoliberalism must grudgingly allow for the provision of a basic welfare state, but it also seeks to erode this welfare state as rapidly as public opinion will allow. The state supports the rights of capital with much greater enthusiasm, and legitimates the profitable accumulation of capital in the public mind by normalizing trickle-down economics and “bootstrapism.”

The state also seeks to illegitimatize trade unions by portraying them as obsolete islands of inefficiency in the market, and portraying union members as overpaid and underproductive, and, in the case of public sector unions, as a drain on the tax base. The neoliberal capitalistic state creates and maintains the conditions for profitable capitalist accumulation, supports the supremacy of private property rights, legitimates capitalist accumulation by providing as skeletal a liberal social welfare state as it can get away with, and illegitimatizes trade unions and the basis for union rights. The
coercive function of the capitalist state is employed to keep the working class and domestic trade unions in line.

Labour market restructuring and the assault on trade union freedom has come in two successive waves. Peck and Tickell characterize the early stages of neoliberalism as “rollback” neoliberalism: “blaming the economic crisis of the 1970s on Keynesian financial regulation, unions, corporatist planning, state ownership and ‘overregulated’ labour markets.” Thus, the early policies of neoliberalism involved “freeing up markets, restoring the right to manage, and asserting individualizing opportunity rights.” Early rollback neoliberal policies involved restrictions on union organizing, strikes, and rollbacks of collective bargaining rights. Rollback neoliberalism involved a great deal of destruction of institutions and social structures. The destructive elements of neoliberalism entail “assaults on organized labour and national collective bargaining agreements; dismantling of the family wage and the spread of generalized economic insecurity; downgrading of national regulations ensuring equal employment, occupational safety and workers’ rights.” Rollback neoliberalism saw trade union powers curbed and dismantled. Subsequently, “flexible” labour markets were established. This destruction and restructuring was all accomplished through the state: “despite neoliberal preferences for a small state, they had no compunctions about a strong state when dealing with market-blocking institutions.” While neoliberal ideology suggests the importance of the retreat of the state, neoliberalism in practice has involved a reorientation of the state towards markets.

The second wave of neoliberalization, in the 1990s, was characterized as “roll-out” neoliberalism. Rollout neoliberalism involved “new forms of institution-building and government intervention which have been licensed within the neoliberal project.” This involved the active neoliberal state restructuring and remaking institutions to better facilitate capitalist accumulation. The OECD Jobs Study, released in the mid 1990s, provided the impetus for the capitalist class to restructure the labour market towards more flexibility. After the release of this study, rollout neoliberalism saw the normalization of part-time, low-wage, contingent work, the rise of self employment, and the switch from welfare to workfare, amongst many other labour market changes. Brenner and Theodore note that neoliberalism has
a creative element as well as a destructive element, which work in tandem. These elements became evident in rollout neoliberalism. The “creative” rollout neoliberalism saw “atomized renegotiation of wage levels and working conditions combined with expanded managerial discretion, and a promotion of labour flexibility.”

Perhaps one of the most important and ongoing type of labour market restructuring under neoliberalism has been a move towards “labour market flexibility.” Fordism, preceding neoliberalism, was characterized as being “rigid” in its labour markets and regime of accumulation; hence, capital has attempted to reform labour markets towards regimes of “flexible accumulation.” At its simplest, “flexible labour” appears to mean low-cost labour. Capital sees low-cost labour as casual and disposable. Casual and disposable labour allow for greater levels of capitalist accumulation because capital is not tied to providing for a fixed labour force. Labour can be discarded to increase profits, and capital can outsource labour to low-cost jurisdictions as another way to increase profits. Rather than the high-wage jobs-for-life (for men) that were typical under Keynesianism, neoliberalism norms are low-wage, temporary jobs. This, of course, runs contrary to unionism: unions, through collective bargaining, seek high wages and job security.

These rolled-out policies and flexible labour markets have been a major challenge to trade unions. The expansion of management rights saw collective agreements, many of which had been in place for decades, come under attack as management demanded escalating concessions. The reorientation of wage negotiations and working conditions to the individual level, rather than the workplace, challenged collective bargaining at its very core. While rollback neoliberalism assaulted the gains that organized labour made during the postwar period, rollout neoliberalism challenged the very nature of trade unionism, and posed challenges that the union movement had never faced.

Rollout neoliberalism also involves a renewed ideological attack on trade unions. While trade unionism has certainly been challenged and attacked by neoliberal policies at all stages of neoliberalism, the ideological undermining of trade unions intensified in the 1990s. Stephen Gill argues that neoliberalism “tends to generate a perspective on the world that is ahistorical, economistic, materialistic, ‘me-oriented,’ short-termist and ecologically
myopic.” Perhaps most important to the analysis of neoliberalism and trade unions is the “me-oriented” and short-termist nature of the neoliberal project. Both fundamentally challenge trade unionism’s perspective on collective economic action and long-term workplace planning through collective agreements. Neoliberalism is exceptionally hostile to the rhetoric form of collective social or economic activity, and attacks collective action at its core.

Neoliberal policies, during both the rollout and rollback phases of neoliberalism, seek to redefine labour-capital relations in terms vastly more favourable to capital. In Canada, this redefinition has produced legislation that weakens trade union freedoms, making it more difficult to organize unions and easier to decertify them. The Canadian state has also relied heavily on back-to-work legislation, and the evermore inclusive definition of essential workers. Unions and union rights are seen as a barrier to unfettered capital accumulation; using coercive measures to restrict union freedoms serves the greater neoliberal agenda: building the supremacy of capital.

During previous economic crises, the Canadian state has used its coercive function to restrict trade union freedoms, arguing that it was necessary to improve the fiscal health of the Canadian economy. These past assaults on trade union freedoms, however, have been directed almost exclusively at public sector unions. This paper will now provide a brief account of some of these assaults on trade union activities in order to establish a “pattern of behaviour” of the Canadian state during times of economic crisis, namely, the federal wage controls introduced by the Trudeau governments of the 1970s and 1980s, and the Social Contract Act in Ontario of the early 1990s.

During the mid-to-late 1970s and early 1980s, in the era characterized as “rollback neoliberalism,” the Federal Government instituted a series of wage controls designed to fight inflation. The Anti-Inflation Program of 1975 to 1978 was created to examine newly negotiated collective agreements and to roll back any wage increases that exceeded government guidelines. The more significant goal of the program was to maintain conditions for profitable capital accumulation, at the expense of public sector trade unions. While the plan was initially meant to develop price and wage controls, it soon devolved into wage controls alone, which have proven to be a demonstrably ineffective anti-inflation measure.
In the 1980s, the wage control plan was expanded into the “6 and 5” program, named for its intended goal: limiting public sector wage increases to six percent in 1982, and five percent in 1983. It, too, was created to limit inflation during a crisis of capitalism. The Federal Government temporarily revoked the right of public sector workers to strike, and unilaterally extended collective agreements for two years. Wage increases faced a statutory limit to six percent and five percent, and any unions who negotiated beyond this limit had their wage increases rolled back. This was initially imposed by the federal government in the hope that provincial governments would follow suit, and they soon did, subjecting provincial employees to similar wage-restraining measures. These anti-inflationary programs of the 1970s and 1980s saw the Canadian state restrict union rights in order to fight inflation, which, in turn, restored and maintained high levels of profitability for capital.

The recession at the start of the 1990s was one of the worst suffered by the industrialized world, and some went as far as to label it the worst economic downturn since the Great Depression. In response, the Government of Ontario introduced the Social Contract Act, which was designed to fight inflation and introduce austerity measures. While many other pieces of legislation have restricted trade union rights and put austerity measures in place, the Act has become a symbol of neoliberal hostility towards unions. This is in no small measure because the Act was introduced by the Ontario New Democratic Party (NDP), a supposedly social-democratic party with a labour-friendly platform. The Act was designed to slash $2 billion from the government payroll by cutting public sector wages. In order to implement the Act, the Ontario NDP opened up existing collective agreements of the public sector and unilaterally imposed a five percent wage cut, in the form of 12 days of annual unpaid leave over a three-year period.

Panitch and Swartz note that the Social Contract Act and the “6 and 5” program were similar in that they targeted only public sector workers. These articles of legislation are indicative of a much broader trend of the Canadian state, which scapegoats the working class and organized labour during times of economic and financial crisis in order to ensure continued capitalist profitability. Much of the “assault on trade union freedoms,”
especially during times of crisis, targets public sector unions. Government intervention in private sector collective negotiations has been virtually unprecedented. Outside of the *Industrial Disputes Investigation Act*, adopted by the Laurier government in 1907 and struck down by the Judicial Committee of the Privy Council in 1925, and numerous interventions during both World Wars under the auspices of the War Measures Act, there is no history of direct government intervention in private sector collective bargaining.27 This history was broken during the 2007–2009 round of collective bargaining between the CAW and the Big Three automakers, when the Canadian government intervened decisively and at length in the negotiations between private sector firms and their unions.

**Case Study: The 2007–2009 CAW Bargaining Round** The Big Three automakers have been struggling against German, Japanese, and Korean competition for some time, and the additional pressures of the economic downturn of 2007–2008 proved to be too much. In 2007, Chrysler was sold to a private equity firm, Ford closed half of its North American plants in an attempt to avoid insolvency, and General Motors filed a loss of $39 billion on an already negative net worth. The bursting of the subprime mortgage bubble in the United States cost half a million Americans their homes, and, subsequently, auto sales were depressed, especially sales of the larger, more profitable vehicles as fuel prices rose and political concerns over climate change mounted. New US fuel economy rules that had been passed in December 2007 also took a heavy toll on the Big Three, even in Canada.28

In the context of economic crisis, and fearing even greater revenue losses, the automakers appealed to the Canadian and Ontario Governments for bailout money to allow the companies to remain solvent and to continue production. GM asked for a $3-billion loan, Chrysler for $8.25 billion, and Ford asked for a line of credit from the government. Those Governments agreed conditionally to provide these loans in order to facilitate continual Big Three production in Canada. It is worth noting that the Canadian and Ontario Governments had little choice but to support the stumbling auto sector —auto manufacturing is one of the backbones of the economies of Ontario and Canada. Every job in a major auto facility in Canada has 7.5
more jobs depending on it—including “upstream” jobs in the supply and parts industries, and “downstream” jobs in consumer industries and services.29

This was not the first time the Canadian state intervened in the ailing automotive sector. During the 1980 negotiations between the Canadian wing of the UAW and Chrysler, Chrysler was on the verge of bankruptcy and had appealed to the Canadian government for a bailout loan. In 1980, however, the Canadian Government made loans to Chrysler conditional upon increased investment and job creation in Canada.30 This undoubtedly ensured continual profitability for Chrysler, but it also strengthened the position of the CAW. This suggests that the state can be coercive, but it can also use its coercive powers to bolster labour under certain conditions. This was not the case during the 2007–2009 round, when the state instead used its coercive power to increase capital accumulation at the expense of labour.

At the end of January 2009, Chrysler, Ford, and General Motors all demanded the renegotiation of three-year labour contracts that were less than a year old.31 General Motors first demanded $150-million in concessions.32 The CAW reached a tentative agreement with GM on 9 March 2009. The current three-year agreement would be extended to four years, wages and cost-of-living allowances would be frozen for nearly the entire four-year term, and a week of vacation would be lost along with a $1,700 annual bonus. Additionally, workers and retirees under 65 would pay an annual health care premium of $360 (retirees older than 65 would pay $180) along with increased employee contributions towards benefits such as dental coverage and frozen monthly pensions and cost-of-living protection for more than 30,000 retirees and surviving spouses. These cuts amounted to a saving in labour costs of $7.25 per worker-hour.33 On the condition that GM receive government assistance and maintain 17 percent of its North American production in Canada, union negotiators unanimously urged the workforce to ratify the deal, which 87 percent did, three days later.34 GM reopened the contract on 11 May to try to extract more concessions, and the CAW insisted that it could not possibly meet their demands. A tentative agreement in which the CAW granted more concessions was reached on 23 May, and it was ratified by 86 percent of the voting members.35 After the second round of concessionary bargaining, the CAW
agreed to total reductions of $22 per worker-hour. The agreement saw cuts to the drug plan and hospital coverage, as well as a vacation buydown, and a two-week summer shutdown.36

On 12 March, the first GM agreement was rejected as a basis for negotiation by Chrysler President Tom LaSorda.37 Chrysler demanded that labour costs be brought in line with US-based Toyota plants and manufacturers based overseas, and announced that it would close production in Canada unless it received a $3-billion government loan, a favourable resolution to a $1-billion tax dispute, and a cut in labour costs amounting to $19 per worker-hour.38 At the same time, Chrysler brazenly announced that $20 million in retention bonuses were being paid to 50 executives.39

The CAW began talks with Chrysler on 23 March, but management remained intransigent, and on 28 March more than 200 local union leaders voted unanimously to reject their demands.40 On 31 March, Chrysler could not meet its Canadian payroll. The government extended a $250-million advance on a $1-billion bridge loan to allow the company to pay its workers, but Chrysler had yet to qualify for an additional $4 billion in long-term aid. General Motors was offered another $3 billion in the short term. Chrysler and the union exchanged communiques with employees, in which management threatened the closure of Canadian operations with the loss of all jobs unless concessions were made, and the CAW blamed impending bankruptcy on flagging auto sales, stockholder brinkmanship, and government failures.41 On 25 April, the CAW finally agreed to demands for $19-per-worker-hour cuts and cuts in employee benefits.42 These savings came mostly from cuts in the areas of health care contributions, drug plans, hospital coverage, tuition refund programs (for both members and their children), and the elimination of both the vacation buydown and the annual Christmas bonus.43 The deal was ratified by 87 percent of the workforce on 27 April 2009.44

Ford manufacturing chief Joe Hinrichs announced that he too felt the original GM agreement was completely inadequate for his firm’s needs, and Ford also therefore rejected pattern bargaining and sought further concessions.45 Ford and the CAW returned to bargaining on 8 September 2009. Ford, the only Big Three automaker not to enter bankruptcy protection or
receive a governmental loan, would not promise to maintain its current employment levels in Canada. As the company pushed for greater concessions, the CAW struggled to obtain guarantees for job security. On 31 October, a tentative agreement was reached in which most of the concessions made to GM and Chrysler were duplicated, and the CAW failed to secure the terms of employment it was trying to maintain. Retirees and workers earning $34/hour either lost benefits or paid more for them. New Ford workers now start at 70 percent of the current top pay rate, with gradual increases to 100 percent over five years, and they must now contribute $1/hour to help fund a pension plan, and will receive fewer benefits during layoffs. Wages and cost-of-living allowances were frozen until 2012. This deal was ratified by 83 percent of the workforce. Two days later, it was overwhelmingly ratified, with losses of benefits, cuts in pay for new workers, frozen wages and cost-of-living allowances, and the loss of about 1,500 CAW jobs.

The Canadian state, as shown above, has consistently intervened in public sector collective bargaining to limit trade union action. Direct state intervention in private sector collective bargaining by the Canadian state is much more rare. The Canadian state directly intervened in the negotiations between the Big Three automakers and the CAW, even though the state was not a party to the negotiations. Conservative Federal Industry minister Tony Clement made it very clear that public funds would not be used to “maintain the standards of living for Canadian autoworkers,” and made loans contingent on the extraction of concessions from the CAW. At the time, Clement specified that GM would be required to negotiate $150 million in concessions from the CAW and demanded that Chrysler also extract concessions of an unspecified amount. On 21 April 2009, the Canadian government took the unusual step of intervening in free private sector bargaining and ordered Chrysler and the CAW to return to the bargaining table. The government then went one step further and demanded that the CAW accept all of the concessions that Chrysler was demanding, or else Chrysler would not receive any government financial support. Thus, the pressure on the CAW was two-fold: concessionary demands were advanced by both capital and state.
The Canadian state’s involvement in collective bargaining between the CAW and the Big Three is indicative of the neoliberal capitalistic state’s general attitudes. The intervention was clearly on the side of capital and was intended to help secure the ongoing profitability of the auto manufacturers. Moreover, state investment in the Big Three automakers, in the form of loans, turned the state into a stakeholder and not a disinterested observer. Since increased profitability can be obtained through lower wages and employee benefits, as an equity-holder the state has a vested interest in capital-friendly collective agreements. It is particularly alarming that the state continues to act as an arbitrator when it has a stake in the outcome. In sum, the entire round of collective bargaining between 2007 and 2009 is a protracted example of rollout neoliberalism.

The CAW was blamed for the auto industry crisis: the popular media routinely cited “bloated wages” as a cause for the floundering of the Big Three automakers. In reality, wages and benefits amount to only seven percent of the auto manufacturers’ operating budget. Minister Clement’s comments with regards to the wages of CAW members served only to further entrench the idea that unionized autoworkers were “overpaid.” The fact that Canadian Government officials were commenting openly on autoworkers’ wages, and partially blaming autoworkers for the lack of profitability in the auto sector, served to delegitimze trade unions in the eyes of the Canadian public, placing public pressure on the CAW to accept concessions. This, in turn, helped to legitimate the interventions the Canadian state on the side of capital.

Rick Laporte, CAW Local 444 President, remarked that the 2009 concessions probably set collective bargaining back between 15 and 20 years.\footnote{This does not seem to be an exaggeration. The CAW initially conceded frozen wages, suspended cost-of-living allowances, and the loss of a week of special holidays to all three automakers. In addition, CAW members now pay a health care premium for the first time and contribute more to benefits, and retirees had their pensions frozen. New workers would receive full pay after three years, not two. Beyond the GM concessions made in the first round of bargaining, Chrysler workers agreed to f orgo semi-private hospital coverage, tuition programs, some bonuses, and savings on vehicle purchases,}
to pay higher drug dispensing costs, and to receive less financial protection during layoffs. The union also agreed to reduce relief time in plants and to allow more flexibility in the use of part-time workers. The third shift at the Windsor plant was cut, and workers were encouraged to take early retirement. These concessions were forced upon the CAW by the dual pressures of the Canadian state and automotive capital. The Canadian state intervened not only to ensure short-term production in the auto sector (thus also ensuring short-term profitable accumulation for the Big Three automakers), but also to attack the material conditions of auto workers, which had the effect of increasing profitability for capital.

While the concessionary collective agreements were all ratified by the membership, and all of the ratification votes received high levels of support, it would be a mistake to conclude that the union was pleased with the outcome. Throughout the negotiation process, the union’s leadership bitterly criticized every round and the actions pursued by the Big Three automakers and the Canadian state. Jim Stanford, economist for the CAW, notes that, during the closed-door bargaining sessions, the bargaining team kept the most egregious and deepest concessionary demands off the table, and the union was able to protect the base wage rate of CAW members.52 Both Stanford and Rick LaPorte, President of Local 444 and member of the Chrysler-unit bargaining team, suggest that the membership ratified the concessionary agreements out of fear: there was a prevailing mood among the rank and file that the concessionary demands would be much worse, or that the Big Three automakers would close Canadian manufacturing plants altogether.53 Elsewhere, I have argued that the acceptance of concessionary collective agreements by the Canadian Autoworkers can be partially explained by the slow acceptance and internalization of the “logics” of neoliberalism by rank-and-file union members.54 The acceptance of concessionary collective agreements by the CAW shows how difficult it is for unions, even large ones, to resist the dual pressure of capital and the state.

**Conclusions: Capitalist Crisis and the Further Entrenchment of the Neoliberal State** The Great Recession saw neoliberalization further entrench itself as the dominant political and economic framework. The general
opinion of industrialized states seems to be that capitalism floundered not because of neoliberalism, but because of the insufficient application of neoliberalism. The solution to this crisis of capitalism, in notable contrast to the Great Depression—the last economic crisis of a similar magnitude—has been to implement further neoliberal policies in pursuit of economic recovery. This shows that the neoliberal ideology is more about high levels of profitable capitalist accumulation than it ever was, or is about the un fettered “free” market. State interference in the market that benefits manufacturing and/or financial capital is completely acceptable to neoliberalism. In the wake of the Great Recession, we have seen neoliberal states bail out banks and extend loans and lines of credit to manufacturing capital. The Canadian state, besides extending credit to manufacturing capital, interfered in otherwise free collective bargaining, and did so unabashedly on the side of capital. Before extending loans to the Big Three automakers, the Canadian Government insisted that unions grant major concessions to capital. The costs of these neoliberal policies have been borne by the working classes, who are victims not only of this latest economic depression, but of the “solutions” as well.

Drawing on the framework of the capitalistic state provided by O’Connor and Panitch, the role and nature of the neoliberal capitalistic state can be summarized as follows: primarily, the functions of accumulation, legitimization, and coercion are retained. The first function remains unchanged: the state creates and maintains the conditions for profitable capitalist accumulation. In practice, this has meant that during crises of profitability, the state bails out corporations by providing sweetheart loans, grants, and tax shelters. The accumulation function has also been interpreted to mean that the state should assist capital in minimizing the damage caused by those forces that might undermine capital accumulation. The case study in this article highlights labour unions, which capital sees as a barrier to accumulation. Because trade unions are framed as a barrier to capitalist accumulation, the neoliberal capitalistic state intervenes in the market to restrict labour freedoms.

There are limits to the accumulation function, however: the state cannot significantly undermine the legitimacy function. One form of legitimation is the provision of a basic liberal social welfare state. Neoliberalism has
seen the hollowing out of many of the welfare provisions of the Keynesian welfare state. There are limits to state actions attacking the obstacles to capital accumulation; for instance, the passing of a law outlawing trade unions and jailing union leaders might well provoke a crisis of legitimacy (although less so than might have been the case 40 years ago). Since the state cannot destroy labour unions easily, it falls to the state to delegitimize trade unions and union rights. The state has thus taken up this function by attacking and blaming unions and their members for economic slowdowns and crises. While the state cannot abruptly tear down the welfare state and other obstacles to accumulation, it can seek to erode them.

The coercive function of the state is employed to maintain profitable capitalist accumulation. This has translated into minimizing labour resistance to neoliberal restructuring. Just as the legitimation function of the state has changed and evolved, and currently functions in part to delegitimize barriers to accumulation, the coercive function of the state coheres with the different forms neoliberalism takes, often providing a particular coercive fix to a particular crisis of capitalism at a particular point in time. In other words, the material circumstances of a crisis of capitalism dictate the form of the coercive response of the state. In the 1970s and 1980s, the era of rollback neoliberalism, neoliberals were concerned with the economic impact of inflation. Hence, the Canadian state’s coercive response was to attempt to shrink the wages of both public- and private sector workers. During the economic crisis of the 1990s, the Ontario Government introduced *The Social Contract Act* as a way to combat a perceived fiscal crisis at the provincial level. The CAW case shows that, during the Great Recession, the Canadian state was willing to coercively intervene on the side of capital to sustain the profitability and competitiveness in the automotive sector. During this crisis, the Canadian state used its coercive power to roll out further neoliberalization, at the expense of the working class.

Each different crisis of capitalism brings about a different form of state intervention to help ameliorate the effects of the crisis, and these interventions are dictated by the particular circumstances of each crisis. The accumulation function remains steady; the overarching purpose of the neoliberal capitalist state is to create and maintain the conditions for high levels
of profitable capitalist accumulation. The legitimation function remains mostly constant, but must also take particular forms as well. During the round of bargaining between the CAW and the Big Three automakers between 2007 and 2009, the Canadian state sought to delegitimize the CAW, which, in turn, allowed the state to use its coercive function to interfere on behalf of capital.

Notes

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6. Harvey, A Brief History, p. 16.

7. Harvey, A Brief History, p. 16.


11. Harvey, A Brief History of Neoliberalism, Chapter 1.


23. G. Teeple, *Globalization and the Decline of Social Reform: Into the Twenty-First Century* (Aurora: Garamond Press, 2000), p. 118. An “essential worker” is one who provides a service deemed by a particular government to be of such importance that he or she cannot strike. Canadian governments, at all levels, have been expanding the essential designation to prevent strikes in the public service.


27. It should be noted that public sector unions did not gain collective bargaining rights until the late 1960s, only a few years before the Canadian state resorted to “permanent exceptionalism.” As such, a stable collective bargaining regime has never really existed for public sector workers in Canada.


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41. T. Van Alphen, “Chrysler puts ultimatum in writing; Having taken $750 million of promised aid with no deal yet, company makes an urgent plea to workers,” The Toronto Star (18 April 2009).
45. K. Naughton and B. Koenig, “We can’t compete using CAW deal, Ford says; Canadian factories won’t save enough under terms struck with GM,” The Ottawa Citizen (14 March 2009), p. D3.
51. R. LaPorte, Interviewed by author (11 April 2011).
52. J. Stanford, Interviewed by author (28 March 2011).
53. LaPorte and Stanford interviews.