

# **VISION, STRATEGY AND REALITY IN THE ECONOMIC DEVELOPMENT OF NUNAVUT:**

**Lessons from the European and Canadian Experience with Neo-Corporatist  
Arrangements**

**A CONTRIBUTION TO THE DEPT. OF SUSTAINABLE DEVELOPMENT'S DISCUSSION  
ON THE ECONOMIC STRATEGY OF NUNAVUT**

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# VISION, STRATEGY AND REALITY IN THE ECONOMIC DEVELOPMENT OF NUNAVUT:

## LESSONS FROM THE EUROPEAN AND CANADIAN EXPERIENCE WITH NEO-CORPORATIST ARRANGEMENTS

(There is a shorter, less technical version of this report available. Readers who want a brief introduction to the argument contained here should look at the short, popular summary.)

### [1] INTRODUCTION: THE NAUJAAT CHALLENGE AND THE SEARCH FOR AN ECONOMIC STRATEGY FOR NUNAVUT

#### *The Naujaat Challenge*

With the recent publication of *The Naujaat Challenge: Working Together* (NC), the Government of Nunavut (GN) has initiated a discussion aimed at creating a plan for the economic development of the new Territory.<sup>1</sup>

The NC document advances a **vision of the future** of Nunavut in the year 2020, and comments on the **current economic reality**, while expressing the need for public consultation to assist in determining the **economic strategy** required to get to that future. (See Figure 1.)

**FIGURE 1: THE CONTENT OF THE NAUJAAT CHALLENGE DOCUMENT**

(A) <u>REALITY: NUNAVUT IN 2002</u>	(B) <u>STRATEGY FOR ECONOMIC DEVELOPMENT:</u> →	(C) <u>VISION OF NUNAVUT IN 2020 :</u>
<ul style="list-style-type: none"><li>the current economic and political reality in Nunavut</li></ul>	<ul style="list-style-type: none"><li>short-term plan of action to get to the desired future</li><li>long-term plan of action to get to the desired future</li></ul>	<ul style="list-style-type: none"><li>the future as envisioned in the Naujaat Challenge document</li></ul>

The NC document indicates the GN plans to consult with various organizations and the citizenry to work out the details of both its long-term vision and its more immediate strategy for economic development. Consultations are scheduled for the fall of 2002, with the goal of developing a territorial strategy for economic development by November of 2002.

#### *Outline*

This paper is a contribution to that discussion about vision, reality and strategy. Its primary goal is to ensure the forthcoming debate considers more than the neo-liberal economic strategy that is predominant in North America.

In **Section 2** we outline the GN's vision of Nunavut's future, suggesting it gives us some guidelines for determining what kind of an economic strategy might be appropriate for the Territory.

**Section 3** looks at the current economic, political and social situation in Nunavut, identifying some of the features that make it different from the provinces in southern Canada, and warning about the dangers of mechanically adopting a made-in-southern-Canada economic strategy.

In **Sections 4 and 5** we consider two models of how the economy and society work, to determine which of them seems closest to the GN's vision for the future. **Section 4** looks at a neo-liberal model derived from the recent experience of North America. It helps us to understand what kind of economic strategy governments in Canada have been following during recent years. The second model we look at – in **Section 5** – is a neo-corporatist one, based on the experience of European countries like Sweden and Norway. Detailed examination of those two models suggests the GN's vision of the future is more compatible with latter than the former.

Having determined the neo-corporatist model is closer to what the GN believes Nunavut should be like in the future, we consider what that model might mean for the Territory. In **Section 6**, we consider a number of Canadian experiments with neo-corporatist arrangements. That helps us to understand both the promise and the peril of adopting an economic strategy based on such a model of development.

**Section 7** suggests the current economic and political reality of Nunavut predisposes it towards the adoption of a neo-corporatist economic strategy. However, doing so would not be free of difficulties. **Section 8** examines some of the major obstacles to the adoption of a neo-corporatist strategy of economic development, and suggests some ways to surmount them.

Finally, **Section 9** suggests what actions the GN should take if it adopts a neo-corporatist strategy for economic development.

### **Some limitations of this report**

This report does not provide the policy makers and citizens of Nunavut with a blueprint for an alternative economic strategy. Rather, it provides readers with an awareness of the neo-corporatist institutional arrangements that exist in certain European countries, and suggests the associated economic strategies are more compatible with the GN's vision of the future than the North American alternative. The purpose of doing so is to enhance the ability of Nunavummiut to consider the economic options available to them. Without discussing alternatives to the institutional and economic model found in North America, the debate about

Nunavut's economic strategy would be less thorough and informed than it should be.<sup>2</sup>

Put differently, this report is less concerned with the details of the GN's economic strategy (e.g., the policies required to promote more investment in resource extraction, or the kind of programs that might encourage employers to conduct more on the job training) than it is with the political question of how to get Inuit organizations, business, labour and the GN to cooperate with each other on a common program for economic development. We argue the creation of new institutions of social and economic cooperation that regularly bring those groups together to design and implement economic policies and programs can produce a far more effective economic strategy than that which the GN would produce on its own.

Finally, throughout this report, we discuss four distinct but interconnected phenomena: existing regimes, theories, policies, and models of the future state of society. (See Figure 2 below.) The context will make it clear which of the four phenomena we are discussing.

**FIGURE 2: THE FOUR TYPES OF PHENOMENA BEING DISCUSSED IN THIS REPORT**

- **Theories** about how the economy and society work in a particular country;
- **Overall strategies** or **policies** adopted by the state or other important actors to bring about a certain kind of economic development;
- Analysis of the nature of an **existing regime** within a particular country (where regime refers to the economic, political and social conditions that currently exist within that country);
- **Models** of the type of society that the state or other important actors are seeking to create for the **future**

## **[2] THE GN'S VISION OF THE FUTURE FOR NUNAVUT**

To reflect the Bathurst Mandate, and to avoid foreclosing on the coming debate, the GN's vision of the future – as outlined in the NC document – is quite general in character. The NC document does not construct a detailed model of what the economy and society of Nunavut should look like in 2020. Nevertheless, close examination of it allows us to identify some key aspects of what Nunavut will become according to the GN.

This discussion will enable us to consider whether the GN's vision of the future corresponds to any recognizable model of the economy. (We do that in a later section of this report.)

### **The GN on key features of Nunavut in 2020**

When we examine the GN's vision of the future in detail, we see that it not only specifies what kind of economy the Territory should have in 2020, it also

indicates what kind of society Nunavut should be. In other words, the NC document contains a holistic (though general) vision of the economy, culture, society and government of the future. That picture of the future is summarized in Figure 3.

<b>FIGURE 3: <u>THE GN'S VISION OF WHAT NUNAVUT WILL BE LIKE IN 2020</u></b>
<p><b><u>SOCIAL DIMENSION: SOCIAL CONSENSUS AND COOPERATION</u></b></p> <ul style="list-style-type: none"> <li>• There will be a strong social consensus behind the territorial economic strategy which has been periodically renewed through the consultative efforts of the GN;</li> <li>• Key organizations and interest groups will be sufficiently organized to participate as partners (with the GN and with each other) in developing the territorial economic strategy;</li> <li>• Nunavut's economy and society will be characterized by a high level of cooperation and partnership in pursuing economic development.</li> </ul>
<p><b><u>POLITICAL DIMENSION: INTERVENTIONIST ROLE OF THE GN</u></b></p> <ul style="list-style-type: none"> <li>• The GN will use consultation and joint decision making with its partners to play a central role in developing and realizing the territorial economic strategy;</li> <li>• Other levels of government and key Inuit organizations will participate fully in developing and implementing the economic strategy;</li> <li>• The GN will use its spending power to facilitate local economic development;</li> <li>• The GN will be debt free;</li> <li>• The GN will either have won complete control over land &amp; resources for Inuit, or it will have increased the pressure on the federal government in support of that demand;</li> </ul>
<p><b><u>CULTURAL DIMENSION: THE CONTINUING IMPORTANCE OF INUIT TRADITION</u></b></p> <ul style="list-style-type: none"> <li>• The Inuit world-view (IQ) will continue to play a key role in guiding social and economic development;</li> <li>• The economic growth that occurs will be environmentally &amp; culturally sustainable</li> <li>• The land-based traditional economy will remain vital to the community and will have thrived;</li> </ul>
<p><b><u>ECONOMIC DIMENSION: ECONOMIC PROSPERITY</u></b></p> <ul style="list-style-type: none"> <li>• Nunavummiut will have increased opportunities to participate in either the waged economy or the traditional economy;</li> <li>• There will be increased prosperity, with more jobs and entrepreneurial opportunities in existence;</li> <li>• The private sector will have become the primary engine of growth;</li> <li>• The level of exports will be up and the level of imports will be down;</li> <li>• There will have been significant improvements in the quality of human capital, the state of infrastructure and the level of knowledge about the economic potential of Nunavut's natural resources</li> </ul>

The picture of Nunavut that emerges from our summary of the NC document has a certain coherence and consistency, blending elements of Inuit tradition with aspects of the economic prosperity Nunavummiut see in the south. It also has certain tensions – like the idea the Territory will have both a highly interventionist state and one which is debt free, or the notion the federal government will act like a partner in pursuing the goal of economic development, even while being pressured to yield control over land and resources to the GN. Overall, the NC document gives us some general guidelines for determining what kind of an economic strategy might be appropriate for the Territory.



The key questions arising from the NC document are these: What kind of a place will Nunavut be in 2020 according to the GN? Can we summarize that vision of Nunavut with some kind of economic model that already exists? If so, we might be able to use that economic model to develop the kind of economic strategy Nunavut will need to get to the kind of society the GN envisages for 2020.

### **[3] – REALITY: THE CURRENT ECONOMIC STRUCTURE OF NUNAVUT**

Now that we have some idea of what the GN's vision for the future looks like, we can determine whether the Nunavut of today is similar enough to the provinces in southern Canada to justify adopting the same kinds of economic strategies they use.

Accordingly, this section of the paper examines the economy of Nunavut, highlighting some of the most important ways in which it differs from the economies of the southern provinces. We conclude that Nunavut is sufficiently different from the southern provinces – economically, politically and culturally – that it would be inappropriate for the GN to uncritically adopt a generic made-in-southern-Canada economic strategy.

There are at least seven major differences between the economy in Nunavut and that found in the provinces of southern Canada.

**(1) The importance of the land-based economy:** The central importance of the land-based economy to the Inuit way of life, and to the culture and politics of the new Territory makes the local economy quite different from anything found in the south. Hunting, fishing, domestic processing of non-renewable resources, care of children by the extended family, and all the forms of social and community cooperation which underpin the land-based economy, are all crucial to the economy of Nunavut (even if the monetary value of that activity is difficult to estimate).<sup>3</sup> This subsistence component of the Nunavut economy presupposes a dense network of family and community relations, which is quite unlike anything that currently exists in the south.

**(2) The mixed nature of the economy:** Nunavut has a mixed economy that combines a weak private sector, a large public sector, and an important (in both economic and cultural terms) land-based component that exists outside the market. The result is a regional economy which combines too few opportunities for waged employment (much of the employment that exists is part-time, seasonal and/or dependent upon the public sector) with harvesting, processing and other types of activities. Not surprisingly, many people survive by relying on “a constantly changing mix of income from wage employment, self-employment,

and domestic production, supplemented by transfer payments when no work is available.”<sup>4</sup>

**(3) The peculiar nature of the private sector:** Nunavut has a very small, geographically isolated population, and therefore a small domestic market. Furthermore, the private sector in Nunavut is small and weak, being divided between a few large enterprises based outside Nunavut, and a larger number of very small businesses based in the Territory.

The most capital-intensive large enterprises in Nunavut are several mines, each of them owned by companies based outside the Territory. The mines provide very little employment for Nunavummiut, with most of the high paying jobs going to migrant workers from the southern provinces. (They do not even provide indirect employment, since they are self-contained operations requiring little support from the local market.<sup>5</sup>) As a consequence, their main contribution to the long-term economic development of the Territory stems from their tax benefits.<sup>6</sup>

The smallness and fragility of the private sector in Nunavut, relative to its counterpart in southern Canada, makes the Territory economically dependent and vulnerable in a way that is quite unlike the southern provinces. The absence of a dynamic, locally rooted private sector also means the local tax base for the GN remains very small.

**(4) The overwhelming economic importance of the public sector, and the economic dependence of the territorial government:** The public sector in Nunavut is much larger proportionately than its counterparts in the southern provinces. Indeed, the public sector is central to most of the economic activity that occurs in Nunavut. As one study states, “well over half the Territory’s jobs are in the public sector and many others, in service and construction for example, are (directly or indirectly) dependent on government activity.... In some communities only a handful of private sector jobs exist.”<sup>7</sup> Furthermore, because the newly created territorial government depends upon transfers from the federal government for 90% of its revenue, the GN remains highly dependent.<sup>8</sup>

**(5) The unique political and institutional structure of Nunavut:** Unlike the southern provinces, the Territory of Nunavut was created as a result of the settlement of an aboriginal land claim between the federal government, the Government of the Northwest Territories and the Inuit of Nunavut (i.e., the Nunavut Land Claim Agreement (NLCA)). As a consequence, the new Territory has many economic and political institutions that are unique. For example, the 1993 NLCA plays a role in guiding the creation and distribution of wealth that has no parallel in the southern provinces.<sup>9</sup> Furthermore, the legislation creating Nunavut recognized the special function of the Designated Inuit Organizations (DIOs) – like the economically and politically powerful Nunavut Tungavik Incorporated (NTI) – which are important economic players and employers.<sup>10</sup> Related to them are the Institutions of Public Government (IPGs) which have

their origin in the land claim settlement between Inuit and the federal government.

These quasi-governmental institutions – the DIOs and IPGs which have no counterpart in southern economies – contribute to the unique structure of the economy in Nunavut. Their existence means that economic and governmental power in Nunavut is highly fragmented by comparison with the southern provinces. The NLCA created an obligation for departments of both the federal and territorial governments to consult the DIOs and IPGs before undertaking many “management decisions, policies, initiatives and activities.”<sup>11</sup> While that limits the power of the GN, it also gives the territorial government a powerful reason to adopt an economic strategy that recognizes the value of cooperation among the major players in the territorial economy. (For an outline of the major players in the Nunavut economy, see Figure 4.)

<b>FIGURE 4: THE MAJOR PLAYERS IN THE ECONOMY OF NUNAVUT</b>	
<b>GOVERNMENTS</b>	<ul style="list-style-type: none"> <li>• <b>Government of Nunavut</b></li> <li>• <b>Government of Canada</b></li> <li>• <b>25 Municipal governments in Nunavut</b></li> </ul>
<b>QUASI-GOVERNMENTAL ORGANIZATIONS</b>	<ul style="list-style-type: none"> <li>• <b>5 Institutions of Public Government:</b> - <ul style="list-style-type: none"> <li>• Nunavut Wildlife Management Board</li> <li>• Nunavut Planning Commission</li> <li>• Nunavut Impact review Board</li> <li>• Nunavut Water Board</li> <li>• Nunavut Surface Rights Tribunal</li> </ul> </li> <li>• <b>Designated Inuit Organizations</b> <ul style="list-style-type: none"> <li>• Nunavut Tungavik Incorporated (NTI)</li> <li>• 3 Regional Inuit Associations</li> <li>• Nunavut Social Development Council</li> <li>• Nunasi Corporation</li> </ul> </li> </ul>
<b>CAPITAL</b>	<p><b>Employer associations</b></p> <ul style="list-style-type: none"> <li>• Baffin Regional Chamber of Commerce</li> </ul>
<b>LABOUR</b>	<p><b>Labour organizations</b></p> <ul style="list-style-type: none"> <li>• Nunavut Employees Union (part of PSAC)</li> </ul>

There are some other features of Nunavut’s political system which have an impact on economic policy-making by the GN. For example, Nunavut has no party system, and few of the standard organizations that represent interest groups in the south (e.g., a centralized employers organization or a territorial federation of labour).

**(6) The nature of the economic and social problems in Nunavut:** Nunavut has economic and social problems that are quite different from those in the south. For example, the weakness of the private sector means Nunavut has an unemployment level that is about four times the national average. And, the economic dependence of the Territory, means the GN has limited means to change that. Those problems are compounded by an inadequate supply of locally educated and skilled labour. As a consequence, large numbers of the most skilled jobs are held by people educated outside the Territory. Furthermore, the very high cost of living in the north, together with the shortage of jobs, condemns large segments of the population to much lower incomes than Canadians living in the southern provinces.<sup>12</sup>

**(7) The distinct culture of Nunavut:** Finally, the economic institutions of Nunavut are embedded in a society that is 85% Inuit, and which is shaped by a very different culture than that found in the south. For example, Inuit culture places considerable emphasis on values such as sharing and cooperation. In traditional Inuit camps there were “strict rules governing the sharing of many things,” including food, resources, and labour. This tradition has survived despite the introduction of a wage economy.<sup>13</sup> Other critical values include collectivism, the importance of Inuit knowledge (IQ), self-reliance, and the commitment to sustainable development.<sup>14</sup>

### **Conclusion**

Even a superficial examination of Nunavut’s current economic, political and administrative structures, suggests it is very different from anything found in southern Canada. Furthermore, as the GN’s vision for the future suggests, Nunavut seeks to remain quite different. As a consequence, it is safe to assume Nunavut cannot simply adopt a made-in-southern-Canada economic strategy and expect it to be very successful. The southern provinces are working with very different economies and political structures, and have quite different economic and social priorities from those expressed by the GN. There are good reasons for the people of Nunavut to look elsewhere for an example of an economic strategy that fits both its current reality, and its vision of the future.

Some important questions are posed by these observations. First of all, how can we characterize the economic and social model we see in southern Canada? And if that model seems inappropriate, given the GN’s vision for the future, is there an alternative model that would be more suitable for Nunavut? Those are the questions we consider next.

## **[4] MODELS OF CAPITALISM**

Our examination of both the GN’s desired future and Nunavut’s current economic reality highlighted the economic differences between the new Territory and the

southern provinces. In this section we examine the model of capitalism that is predominant in southern Canada, and suggest there is little reason for the GN to formally adopt it as the cornerstone for its economic strategy. (In the next section, we will examine an alternative economic model, derived from northern European experience, which seems to be far more compatible with both Nunavut's institutional structure, and the GN's long-term economic goals.)

### **Three models of capitalism**

We can start our discussion by distinguishing between three different models of capitalism (see Figure 5) found among the developed democracies in the OECD:

- In the **neo-liberal model of capitalism** the market is the predominant institution, taking precedence over the state and other social interests or organizations in determining how economic coordination is achieved. (See Figure 6)\* The Anglo-American countries (e.g., the US, Canada, the UK, etc.) are the best examples of the neo-liberal model of capitalism.
- In the **state dominated model**, private capital is subjected to a degree of state-led direction, which heavily shapes the market, while minimizing the influence of other interest groups on the overall economic direction of the country (e.g., Japan).
- In the **'neo-corporatist' model of capitalism**, the state seeks to build a consensus for certain economic policies by having the two most powerful interest groups (i.e., capital and labour) participate fully in the formulation and implementation of those policies.<sup>15</sup> As a result, the market is heavily shaped by policies determined by groups collaborating with each other.

Because the decisions Nunavut will make about economic strategy are dependent on the model of capitalism the Territory is trying to build, it is necessary for us to examine two of these models more closely. The rationale for looking at the neo-liberal model is obvious: neo-liberalism is what already exists in southern Canada, and what most orthodox economists in North America would advocate for Nunavut. That makes it (or some modified version of it) the most obvious choice as an economic strategy for policy makers in Nunavut.

The other model we will examine – the one that is the main alternative to the neo-liberal model – is the neo-corporatist one. The rationale for considering it the main alternative will be discussed in Section 5.

Both the neo-liberal and neo-corporatist models used in this paper are simplified pictures of the complexity that exists in the real world.<sup>16</sup> Those models are intellectual devices that assist us in understanding the basic features and

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\* The Latin word 'neo' which means new, is often used by social scientists to indicate they are talking about a new version of something. So 'neo-liberalism' refers to a new version of the liberal theory that guided economics during the nineteenth century.

dynamics of society in certain countries. Whatever the differences between those two models (and the countries that epitomize them, like the US and Sweden), we should not forget that both refer to varieties of capitalism. In that sense, we can easily conceive of our two models of neo-liberalism and neo-corporatism as opposite ends of a continuum, the differences between the US at one end and Sweden at the other being quantitative rather than qualitative in character .

**FIGURE 5: THE PRIMARY BASIS FOR ECONOMIC COORDINATION IN THREE DIFFERENT VARIETIES OF CAPITALISM**

	Reliance upon the market for economic coordination	Degree of state coordination in determining economic direction	Role of organized interest groups (especially trade unions and business organizations) in shaping national economic policy
NEO-LIBERAL model of capitalism (e.g., Canada, the US and the UK)	Strong	Weak	Weak
STATE-DOMINATED model of capitalism (e.g. Japan)	Moderate	Strong	Weak
NEO-CORPORATIST model of capitalism (e.g., Germany, Austria, Sweden, Norway)	Moderate	Moderate	Strong

While there is no such thing as a purely neo-liberal, or neo-corporatist country, that does not diminish the value of using a model to assist us in understanding the nature of the regime in a particular country. For example, when we suggest the US epitomizes neo-liberalism, that does not require us to ignore those few features of American society which seem inconsistent with neo-liberalism (e.g., the uncharacteristically generous pension program).<sup>17</sup> While many countries have characteristics that are somewhat inconsistent with their overall institutional structure, that does not diminish the value of our models. Regarding the US as the archetype of a neo-liberal society helps us to understand most of its features, its long-term trajectory, and the many ways in which it differs from a country like Sweden.

## **[5] THE NEO-LIBERAL MODEL**

Neo-liberalism refers to an economic theory and a set of government policies, which claims the market is inherently superior to all other institutions (including the state) when it comes to organizing economic life.\* (See Figure 6 below for a list of some of its key features.)

\* As suggested in Figure 2, the term 'neo-liberalism' can also refer to a particular kind of regime, or the aspiration by some people to create a particular kind of regime in the future.

Neo-liberalism was popularized during the 1980s by Ronald Reagan and Margaret Thatcher while they attacked Keynesian-style state regulation of the economy in their respective countries.<sup>18</sup> Both leaders argued it was necessary to restructure society by deregulating the market, privatizing much of the state, cutting back on social welfare, and social discipline.<sup>19</sup> In their view policies that promoted state intervention in, or regulation of the economy had to be replaced by new ones that recognized the superiority of allowing decisions to be made “by individuals themselves or by individuals interacting in the marketplace.”<sup>20</sup> Thus, the central thrust of neo-liberalism was to reduce the role played by the state and social groups in human affairs, while increasing the role of the market. Economic development and coordination was to be left to market mechanisms rather than the state or other organized interest groups.

One consequence of the growth of neo-liberalism, is that the competition among interest groups to influence state policies becomes less relevant all the time. Since the state defers increasingly to the market, the only interest groups which enjoy an increase in their power are those defined by wealth rather than by citizenship.<sup>21</sup> In the de-regulated world of neo-liberalism, citizens and social groups lose much of their capacity to intervene in the economy via the state, to temper the extremes of the market – with respect to the distribution of wealth, the tendency of the market to underinvest in public goods (e.g., the level of citizen participation in political life, the level of social cooperation and trust), and its tendency to overinvest in things that harm the human and natural environment (e.g., high energy consumption technologies, disposable goods).<sup>22</sup>

### **The welfare state in the neo-liberal model**

In countries that have adopted neo-liberalism, the welfare state has survived, although it now offers diminished support and benefits to citizens. Neo-liberal regimes everywhere subscribe to the view that social programs like employment insurance should be cut or eliminated to make people more dependent upon income earned in the labour market (i.e., to make the labour market more ‘flexible’).<sup>23</sup> The neo-liberal model favors the idea that each individual should take personal responsibility for their own income level, instead of relying on universal entitlements to social programs.

That explains the widespread ‘restructuring’ of social programmes. By providing only a very basic social safety net, and “and minimal relief for those unfortunate individuals who could not compete successfully in the marketplace,” the state ensures that people have more incentive to work. Not surprisingly, in countries that adhere to the neo-liberal model, social “programs are often needs-based and geared toward alleviating poverty and impeding its growth. Neither the fostering of a more egalitarian income structure through redistribution nor the creation of full employment is typically recognized as a central goal.”<sup>24</sup>

**FIGURE 6: SOME KEY FEATURES OF THE NEO-LIBERAL MODEL OF CAPITALISM (e.g., USA, UK & Canada)**

**MARKET & CAPITAL**

- investment decisions are made by private capital
- deregulation of financial markets
- employers not highly organized or nationally coordinated
- trade liberalization
- elimination of barriers to foreign direct investment
- unified and competitive exchange rates

**STATE**

- low level of state regulation of capital and limited state intervention in the economy
- state role is to create and protect markets and defend property rights
- weak welfare state
- a social safety net that selectively targets the needy
- privatization of state owned industries
- diminished public spending (i.e., fiscal discipline by the state)
- 

**LABOUR**

- flexible labour market that is relatively unregulated
- workers have limited industrial and social rights
- few workers are unionized; unions are relatively weak and fragmented
- income of workers depends primarily on market activity
- labour force that is polarized between low-wage-low-skill and high-wage-high-skill
- income maintenance programs (e.g., for the aged and retired, the sick, the unemployed) feature means tests for beneficiaries, or people are covered by private insurance schemes
- few publicly delivered services other than education
- high levels of poverty and inequality

In Canada, there have been major changes to the welfare state since the rise of neo-liberalism during the 1980s. With very few exceptions, social programmes have either had their benefit levels reduced, have been partially or wholly privatized, or even eliminated.<sup>25</sup> Belief in the natural superiority of the market, means that Canadians have had their rights as property owners or consumers protected, while their entitlement as citizens to various types of services and support has diminished.

**The economic record of the neo-liberal model**

Neo-liberal countries like the US, Canada and Britain – countries which regard the decisions made by the market as inherently superior to all others – are prosperous, even though they have weak welfare states, rising levels of poverty and inequality, and low levels of social cooperation with respect to economic policy.<sup>26</sup> However, there is no compelling evidence that the neo-liberal program of deregulating the economy and restructuring the welfare state to make the market more powerful, results in better levels of economic performance over the long term.

Until the mid-1990s, the neo-liberal model as exemplified by the US was not perceived to have out-performed the models evident in countries like Japan or Germany.<sup>27</sup> From the mid-1990s through to 2000, growth rates in the US



regularly exceeded the OECD average.<sup>28</sup> But, there are developed democracies that performed as well or better, despite having not adopted the neo-liberal model of development. For example, some commentators have noted the recent experience of the 'European Tigers' (e.g., Ireland), arguing it demonstrates that high rates of economic growth are possible in countries that have not adopted the neo-liberal model. For example, Ireland has many institutional features that are not associated with the neo-liberal model: generous social programs, high levels of unemployment benefits, a highly unionized workforce, neo-corporatist institutions to set wage levels and deal with economic policies, low levels of inequality, high tax rates, and so on.<sup>29</sup>

The relative economic success of some European countries poses an undeniable challenge to the idea there is a single best way to achieve economic growth (i.e., the neo-liberal way). On the contrary, "there is no single model of institutional arrangements to which the capitalist world must converge, but that different models may be equally suited to successful economic developments."<sup>30</sup>

Champions of the neo-liberal model have argued it is inherently superior because the US economy has demonstrated a greater capacity to create jobs than many of the non-liberal countries in Europe.<sup>31</sup> Besides ignoring the better record of a number of European countries that embrace other economic strategies, such claims ignore the two million American citizens in prison. When those people are added to the unemployment figures, the performance of the American model in creating jobs looks much less impressive. Furthermore, when we examine the job-creating capacity of one of the countries that has done the most to emulate American style neo-liberalism – the UK – it does little to suggest the American version of neo-liberalism is easily replicated.<sup>32</sup>

If the economic performance of the neo-liberal model, and its job-creating ability is debatable, there can be little doubt about the social costs associated with deregulating the labour market and cutting the welfare state: high rates of growth of poverty and inequality.<sup>33</sup>

Finally, we should not be mesmerized by the apparent success of the neo-liberal model of economic development during the late 1990s.<sup>34</sup> The economic problems of the past two years means the market-led model of economic development is once again being subjected to widespread criticism – for the high tech-bubble, the widespread corporate dishonesty referred to as 'Enronitis,' the polarization of incomes and a host of other problems.<sup>35</sup> Today it is no longer clear the triumph of the market model of capitalism is assured.

If the only model of capitalism capable of sustaining economic growth was the neo-liberal one, there would be no point in considering any alternative model for Nunavut.<sup>36</sup> However, it does seem that other economic models do work.

**The neo-liberal model tends to ignore the importance of ‘social capital’**

One of the major problems with the neo-liberal model of capitalism is that by elevating the market to a level of supremacy over everything else, it ignores the potential role of the state and other types of institutions in contributing to prosperity. For example, the neo-liberal model tends to ignore the importance of what the Conference Board called ‘social and organizational capital’ in its 2001 Report, *Nunavut Economic Outlook*.<sup>37</sup>

‘Social capital’ refers to the many ways people are organized outside the market – in their families, communities, voluntary organizations, institutions, and the state – which make it possible for the market to function.<sup>38</sup>

For neo-liberal theorists, people are guided to make efficient decisions about what to produce and what to consume by the signals they get from the market in the form of prices. However, neo-liberal theory ignores the fact that people also respond to social influences that have nothing to do with prices.<sup>39</sup> Thus, in the real world social cooperation and social cohesion is critical to the functioning of the market. It is precisely because “the price mechanism cannot necessarily orchestrate all resource-allocation decisions in a complex economy,” that extra-market cooperation is so critical to prosperity. (As we will see in Section 5, the strength of the neo-corporatist model partly stems from a recognition that the richness of associational life among people within a country, and the degree of trust that engenders, can enable that economy to prosper.)

**How compatible is the neo-liberal model with the GN’s vision for Nunavut’s future?**

While some of Nunavut’s economic goals are compatible with neo-liberalism, its political, social and cultural ones are not. (See Figure 7 for a summary.) Thus, objectives like greater prosperity, an increase in employment levels, the development of a more dynamic private sector, and an increase in export levels are all compatible with neo-liberalism. However, the emphasis on a de-regulated market, a non-interventionist state, and diminished social welfare is not compatible with the GN’s emphasis on social consensus and partnership, the involvement of interest groups in developing an economic strategy, the maintenance of the land based economy, and the importance of sustainable development. Thus, for Nunavut, acceptance of the neo-liberal model would mean elevating competition in the market over co-operation within society, making the state and interest groups (like Inuit organizations) subordinate to the market, and place a priority on reducing the impact of many social programs.

**FIGURE 7: THE COMPATIBILITY OF THE NEO-LIBERAL MODEL WITH KEY ELEMENTS OF THE GN'S VISION OF THE FUTURE FOR NUNAVUT**

**KEY:**    Ω - the economic model is not highly compatible with this goal  
               Y - the economic model is highly compatible with this goal  
               ? - the compatibility of the model with this goal is uncertain

<b>GN'S VISION FOR THE FUTURE</b>	<b>NEO-LIBERAL MODEL</b>
<b><u>SOCIAL CONSENSUS AND COOPERATION (SOCIAL)</u></b>	
• Strong social consensus about territorial economic strategy established by the initiative of the GN;	Ω
• Key organizations and interest groups are organized to participate as partners in developing the territorial economic strategy;	Ω
• Economy & society are characterized by consensus and partnership with respect to economic development;	Ω
<b><u>ROLE OF THE GN (POLITICAL)</u></b>	
• GN leads partners in developing and realizing a territorial economic strategy;	Ω
• Other levels of government participate fully in developing the economic strategy;	?
• The GN's spending facilitates local economic development;	?
• The GN is debt free;	Y
• The GN has won complete control over land & resources, or maintains campaign to do so;	?
• Significant investments have been made in human capital, infrastructure and knowledge about the economic potential of natural resources	Y
<b><u>INUIT TRADITION (TRADITIONAL &amp; CULTURAL)</u></b>	
• Inuit world-view (IQ) plays a key role in guiding social and economic development;	?
• Economic growth is environmentally & culturally sustainable	Ω
• The subsistence economy remains strong;	Ω
<b><u>ECONOMIC PROSPERITY (ECONOMIC)</u></b>	
• Nunavummiut have increased opportunities to participate in either the waged economy or the traditional economy;	Y
• Increased number of jobs and entrepreneurial opportunities;	Y
• The private sector has become the primary engine of growth;	Y
• Exports are up, and the level of imports are down;	?

The neo-liberal model does not seem to be a particularly good fit for Nunavut, given the GN's expressed desire for a particular kind of development to occur by 2020. If Nunavummiut embrace the vision outlined in the NC document within the coming months, Nunavut's decision-makers should reject the neo-liberal model as a guide for developing a territorial economic strategy.

It remains to be seen whether another model of capitalism can offer Nunavummiut the promise of prosperity and economic growth together with such

things as a high level of social consensus and partnership, respect for the environment and for the cultural traditions of Inuit. Before we outline the neo-corporatist model of capitalism we need to consider the issue of globalization.

**Does globalization mean that all countries must adopt the neo-liberal model?**

Twenty years ago it was easier to believe there was more than one path countries could follow to achieve development and prosperity. Today, many people believe the globalization of the international economy means all countries, regardless of their previous institutional structures, are converging on a single model of capitalism: the neo-liberal one. In this view, **globalization**\* increases international pressures for a more efficient economic performance, undoing social arrangements based on cooperation, and resulting in a weaker welfare state.

The phenomenon of globalization raises two issues: one about convergence and another about the levels of prosperity within those countries that do not adhere to the neo-liberal model of development. We have already touched on the latter point, so here we will say something about the issue of convergence.

The issue of whether globalization is leading to convergence on the neo-liberal model has been much debated by experts, with considerable evidence being marshaled for and against.<sup>40</sup> In our view the balance of evidence favors those who stress the continued divergence in the economic, political and social institutions and policies found in the developed OECD democracies. While there are certainly international economic pressures pushing countries towards convergence around a neo-liberal norm, giving states and interest groups less room to maneuver, convergence has neither been rapid nor automatic. The economic pressures associated with globalization act on regimes in ways that do not always produce the same results. Despite more than two decades of growing liberalization in the world economy, many OECD countries are still far from having adopted the neo-liberal model exemplified by the US.<sup>41</sup>

To conclude, neo-liberalism is not dominant everywhere. We still live in a world where other models of capitalism exist. As a consequence, Nunavummiut have to make choices about which model should act as the basis for the economic strategy of the GN.

**[6] THE NEO-CORPORATIST MODEL**

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\* In this report globalization refers to four interrelated processes: (1) the dramatic rise in foreign direct investment; (2) the growing power of multinational corporations; (3) the deregulation of financial markets, and (4) the liberalization of trade.

For Nunavummiut, the main alternative to adopting an economic strategy based on the neo-liberal model is to develop one that would steer the Territory towards the neo-corporatist model found in some European countries (e.g., Austria, Sweden, Norway, the Netherlands).<sup>42</sup> This section explores the reasons why neo-corporatism should be considered the main alternative to neo-liberalism.

The distinguishing feature of the neo-corporatist model is the existence of state established institutions designed to build a consensus among the key interest groups – usually capital and labour – for a joint economic strategy. In essence, it represents an alliance between state and elements of society to impose some limits on the market. The state institutionalizes negotiations between the national umbrella organizations for business and labour to formulate and implement many aspects of economic and social policy. In that fashion neo-corporatist arrangements allows the government to build a social consensus in support of the country's economic strategy.<sup>43</sup>

Countries which have a corporatist arrangement at the center of their national policy making process, typically involve representatives of capital and labour in a wide range of national policy making and advisory boards, commissions and committees. Much of the negotiation and discussion occurs in legally based formal institutions, but some of it occurs in more informal meetings.<sup>44</sup> Among the aspects of economic policy typically dealt with by the partners in a neo-corporatist arrangement are the following:

- wage levels and pay structures;
- working conditions (including such things as changes in work organization, and the introduction of new technology);
- employment levels (within industrial sectors and at the national level);
- spending on various kinds of social programmes;
- investments in human capital through training and education; and
- industrial strategy.<sup>45</sup>

Often neo-corporatist arrangements involve highly centralized negotiations, occurring on a national scale; other times they happen at a sector or industry-wide level.<sup>46</sup> Indeed, the existence of a neo-corporatist arrangement at the national level often leads to the development of similar arrangements at various sub-national levels of society, including the sectoral level, the regional level, the industry-wide level, or at the level of the firm.

Neo-corporatist arrangements focused at the regional or sectoral level typically involve negotiations about matters that are narrower in scope than those that are dealt with in national arrangements.<sup>47</sup> In addition, sub-national forms of neo-corporatism do not require the partners to have the same degree of centralized power as national arrangements do. For example, neo-corporatist arrangements at the sectoral level (e.g., in a single industry) are more likely to be informal than those at the national level, and “to arise from a shared common interest in seeking state assistance in response to a sector-specific issue.”<sup>48</sup>

**FIGURE 8: THE KEY FEATURES OF THE NEO-CORPORATIST MODEL OF CAPITALISM (e.g., Austria, Sweden, Norway, the Netherlands)**

**MARKET & CAPITAL**

- moderate to high level of state regulation over investment decisions
- employers highly coordinated and organized at the industry level
- orientation towards production of high quality manufactured goods for export
- economic openness and adjustment to the global economy through a high-wage, high-productivity strategy

**STATE**

- more state regulation of the market than in the neo-liberal model
- state's role is to shape the market and to engineer a degree of social consensus between capital and labour
- state emphasis on job creation through investments in education and training
- policies to encourage high rates of corporate re-investment of profits

**LABOUR**

- labour force that is geared towards high-quality, high-wage manufacturing
- strong welfare provisions and universal rights for workers
- labour has a strong presence within society, including the state
- unions actively participate in economic policy and industrial decision-making
- income maintenance programs (e.g., for the aged and retired, the sick, the unemployed) remain universally available, with little differentiation of benefit levels among citizens
- high levels of economic and social equality
- emphasis on redistribution of wealth, workers' income is not entirely dependent on the market

The distinctive economic strategy of the neo-corporatist regimes combines economic openness and ongoing adjustment to the global economy with a high-wage, high-productivity labour force.<sup>49</sup> That strategy includes social programs that remove much of the pain of job loss, and emphasize training to facilitate economic adjustment.

**Preconditions for the development of national-level neo-corporatist arrangements**

This report cannot discuss the historical process by which neo-corporatist arrangements emerged during the twentieth century.<sup>50</sup> Nevertheless, we can note that national-level, neo-corporatist arrangements require the existence of certain social, economic and political preconditions to operate.<sup>51</sup>

- (1) There must be a **small number of centralized organizations** that have a **monopoly** in representing the most important, economically defined interest groups within society (e.g., a trade union central representing the interests of workers, and an umbrella business organization representing employers).
- (2) There must be close links between those organizations and the state, which include **recognition** by the state of the special role those organizations have within society, and **privileged access** for them to the state. Neo-corporatist relations are usually embodied in special bipartite and tripartite institutions or bodies that ensure stable

negotiations between capital, labour and the state over a range of social and economic issues.<sup>52</sup>

- (3) The state must involve those organizations in a social partnership to participate in the **formulation** and **implementation** of economic and social policy, in exchange for support from the organization's members for the policy that results.<sup>53</sup>

Neo-corporatist arrangements rely upon and reinforce an “ideology of social partnership in which policy emerges from the cooperative and consensus oriented routines of repeated interactions among peak associations of labour and business.”<sup>54</sup> Those arrangements cultivate “norms of reciprocity, trust and a sense of duty to other social partners” within the institutions, boards, and committees in which they are embodied. The social cooperation that is generated at the highest levels of decision making establishes a pattern for how decision making occurs at other levels of society. In such an environment, changes in economic or social policy “will typically involve slow, marginal, negotiated changes in which all interests are accounted.”<sup>55</sup>

Neo-corporatist arrangements were considered highly successful during the 1970s and 1980s, because they contributed to improved economic performance. There is a considerable body of literature that documented the superior economic performance of the neo-corporatist regimes -- in terms of income growth, inflation, unemployment levels and levels of industrial conflict – during that period.<sup>56</sup> Part of the reason for that was the way in which those arrangements produced better labour market and industrial policies, because of their ability to “draw upon the considerable real world knowledge and experience of business and labour in the design and implementation” of such policies.<sup>57</sup>

### **How neo-corporatist arrangements benefit labour**

Neo-corporatist arrangements have been a persistent feature of society in a number of European countries, because they are widely perceived to have contributed to the overall level of social cooperation and social cohesion, while delivering tangible benefits to all three partners: labour, capital and the state.

From the perspective of **labour**, neo-corporatist regimes are superior to neo-liberal ones because they tend to produce better wages, higher levels of employment, a stronger commitment by the state to assist people in obtaining work, and a more generous welfare state. Neo-corporatist regimes have a stronger commitment to egalitarianism, the redistribution of wealth, and the provision of services that help protect people from the vagaries of the market.<sup>58</sup> Thus, neo-corporatist regimes tend to have far more generous pensions and unemployment insurance programs than those that exist in neo-liberal regimes, in addition to having higher levels of spending on social services like education and health.<sup>59</sup>

Most of the neo-corporatist regimes are committed to the goals of both rapid **economic growth** and **full employment**. That commitment is often evident in wage negotiations that produce trade-offs favoring the creation or maintenance of jobs, and/or wage increases that disproportionately benefit the most poorly paid workers (what is often called a “solidaristic wage policy”).<sup>60</sup>

Another pro-labour feature of neo-corporatist regimes is their heavy reliance upon **active labour market programmes** (ALMPs), used in conjunction with high levels of benefits for the unemployed. ALMPs assist people to gain employment by providing them with additional training, relocation assistance, childcare services or other kinds of support.<sup>61</sup> (Usually those services are provided through organizations that include union and employer representatives on a management board of some kind.)<sup>62</sup> When coupled with generous levels of unemployment insurance, ALMPs allow a neo-corporatist regime to move people from dying industries to thriving ones, without the fear those affected will suffer excessively while unemployed.<sup>63</sup> (This employment policy differs considerably from the neo-liberal practice of achieving labour market flexibility by reducing the financial support available to unemployed workers, and forcing them into low paid jobs.)<sup>64</sup>

Finally, through the involvement of their unions in the making of economic and social policy, workers in the neo-corporatist regimes often have more impact on the economic and social policies of the country than their counterparts in the neo-liberal countries.

### **How neo-corporatist arrangements benefit employers**

Because employers in a neo-corporatist regime tend to be well organized at the national and industry-wide levels, they are often able to “organize collectively in training their labour force, sharing technology, providing export-marketing services and advice for R and D and for product innovation, setting product standards, and bargaining with employees.”<sup>65</sup>

Even though neo-corporatist regimes have strong welfare states, and involve interference by the state and other groups in the operation of the market, they often adopt a variety of policies that are quite attractive to big business.

- Neo-corporatist regimes tend to make extensive investments in human capital (e.g., through **education** and training, etc.) and the **infrastructure** required by business (e.g., bridges and roads);
- Those regimes have a high degree of economic, and social **stability**, because the workforce – although highly unionized and highly paid – is well sheltered from the vagaries of the market, and integrated through the labour movement into economic decision making. As a consequence, workers are usually highly committed to the resulting economic and social policies of the regime.<sup>66</sup>



- Workers who are sheltered from the worst aspects of the market are often more **productive**, because they can devote their energies to work rather than having to protect themselves.<sup>67</sup>
- The degree of social stability and social trust that exists can **lower the extra-market costs** of doing business – what economists call ‘transaction’ costs. (Those are the costs involved in identifying people to contract with, providing them with the information they require, negotiating a deal, checking to make sure the contract has been fulfilled, and so on.)<sup>68</sup>

As a result, when faced with strategic decisions about their investments in countries with neo-corporatist regimes, big business will take into account not only the additional costs of doing business in such a country, but also the additional benefits<sup>69</sup>

By contrast with the neo-liberal model of capitalism, the neo-corporatist one treats the aspirations of labour as legitimate, while emphasizing the sanctity of capitalism.<sup>70</sup> Therein lies one of the secrets of its effectiveness. During periods of economic growth, the strong welfare state that accompanies the neo-corporatist model, emphasizes the value of investments in human capital, and the need to orient a national economy towards high quality production. In that sense, the regulation of labour markets by sympathetic governments can become a “source of growth rather than a barrier to growth.”<sup>71</sup> During periods of slow economic growth the tradition of cooperation between state, capital and labour is more likely to result in union support for policy decisions that accept wage moderation or reductions in working time to preserve employment levels or protect national competitiveness.<sup>72</sup>

### **The role of the state**

Crucial to the success of neo-corporatist arrangements is the role of the state. At a minimum, it must do the following to establish a neo-corporatist social arrangement:

- identify the key interest groups that need to be involved (and the organizations that represent them);
- establish the process by which negotiations and bargaining among the organizations can take place; and
- delegate sufficient power and responsibility to the newly created corporatist body to make it effective;<sup>73</sup>
- be stable enough to avoid constantly changing the rules which govern the neo-corporatist arrangement.

What the state gains from the existence of a neo-corporatist arrangement are policies that enjoy greater support within society, because key interest groups have helped formulate them. In that sense, they contribute to the overall ‘governability’ of society, because the resulting government policies are more likely to be accepted by citizens.<sup>74</sup> Furthermore, those arrangements allow the

state to exert some influence over key interest groups, giving it the capacity to mediate conflicts of interest between those groups.<sup>75</sup>

Neo-corporatist regimes have traditionally been established in countries with large and powerful social democratic parties and trade union movements (e.g., Sweden and Austria). However, they have also been established in countries with more of a tradition of electing Christian democratic governments. In the latter case, the regime that results tends to have a more decided tilt towards the interests of capital.

### **State structures and neo-corporatism**

Several aspects of state structure can undermine or strengthen the likelihood of neo-corporatist institutions developing. (See Figure 9.) For example, **unitary states** are far more effective at establishing neo-corporatist arrangements than **federalist** ones. Federalist countries also have too many veto points from which opponents of a neo-corporatist arrangement can obstruct their development. Federalist countries impose a disadvantage on trade unions and social democratic parties favoring neo-corporatism, since it is harder to be successful in organizing for something across a set of subnational jurisdictions. Similarly, countries with a **bicameral legislative structure** are also less likely to have neo-corporatist arrangements. Finally, countries where the electoral system is based on a **winner-take-all** principle (as opposed to a system based on **proportional representation**) are also less likely to have elected social democrats sympathetic to neo-corporatist arrangements.<sup>76</sup>

**FIGURE 9 : TYPICAL POLITICAL STRUCTURES OF NEO-LIBERAL AND NEO-CORPORATIST REGIMES**

	<b>NEO-LIBERAL REGIMES</b>	<b>NEO-CORPORATIST REGIMES</b>
<b>TYPE OF ELECTORAL INSTITUTIONS</b>	Majoritarian (i.e., winner-takes-all, or 'first-past-the-post')	Inclusive (i.e., proportional representation)
<b>NATURE OF THE LEGISLATURE</b>	Bicameral legislature	Unicameral legislature
<b>DEGREE OF CENTRALIZATION OF POLICY MAKING AUTHORITY</b>	Decentralized (i.e., a federalist political structure)	Centralized (i.e., a unitary state)
<b>HOW CONCERNS OF INTEREST GROUPS ARE REPRESENTED IN POLICY MAKING</b>	Pluralist process of lobbying	Corporatist process involving direct participation of interest groups in the policy and decision making process

### **The economic and social performance of neo-corporatist regimes**

While the neo-corporatist model appears to have much to offer Nunavut, an obvious question is whether it actually works. Has the **economic performance** of neo-corporatist regimes been comparable to that of the neo-liberal regimes?,

How we answer that question depends upon the time frame we look at. If we look at the long-term (e.g., the last 30 years) the answer is an unequivocal yes.<sup>77</sup>

There is a fairly extensive literature that documents the fact that the economies in West Germany, Sweden, and other neo-corporatist regimes outperformed that of the neo-liberal countries until at least the early 1990s.<sup>78</sup> There can be little doubt that during the 1960s, 70s and 80s the neo-corporatist model of capitalism was superior to its North American counterparts, in terms of the quality of life it produced for the average citizen – whether we consider living standards, equality, job security or industrial and social rights.<sup>79</sup>

However, if we just look at just the past decade, assessing whether the neo-corporatist model is economically superior to the neo-liberal becomes more difficult. Although economic growth in countries like the US and Canada was higher during than 1990s than it was in the neo-corporatist ones, there are some complicating factors.<sup>80</sup> As previously noted, American unemployment statistics for the 1990s are somewhat misleading. Furthermore, the recent government revisions of the data on the growth of GDP for the years 2000 and 2001 indicate the economic track record of the US is much less impressive than previously thought.<sup>81</sup> Finally, given the speculative basis for much of the American economic expansion of the late 1990s, and the economic difficulties the US is currently experiencing, it is too soon to conclude neo-liberalism is superior to neo-corporatism.<sup>82</sup>

When we compare the two types of regimes for levels of **social spending** during the past twenty years, we see that it was cut sooner and deeper in the neo-liberal countries than the neo-corporatist ones.<sup>83</sup> Furthermore, because the retrenchment of the welfare state has been less pronounced in the neo-corporatist regimes, the growth of poverty and inequality evident in the neo-liberal countries has largely been avoided.<sup>84</sup> Thus, the level of economic growth achieved in the neo-corporatist regimes has not been achieved at the expense of social welfare to the extent found in the neo-liberal countries.<sup>85</sup>

Finally, if we look at some of the recent research on social cohesion, we see indications there are higher levels of social involvement and trust in countries like Sweden, Norway and the Netherlands than we find in neo-liberal ones like Canada and the US.<sup>86</sup>

It seems justifiable to conclude the neo-corporatist model is a serious alternative to the neo-liberal one.

### **Is neo-corporatism in crisis?**

Even though the neo-corporatist model was once able to deliver high rates of economic growth, high living standards, and high levels of social cooperation, some commentators argue it is no longer capable of doing so in today's world.<sup>87</sup>

For example, Coates uses the recent experience of Sweden to argue against the continued viability of the neo-corporatist model. He claims that while strong trade unions and a strong welfare state were compatible with high levels of domestic

investment in the Swedish manufacturing industry until the 1980s, that is no longer the case. Twenty years ago Sweden's employing class was not "internationally oriented and globally mobile." Once they developed that orientation, the basis for the Swedish model disappeared.<sup>88</sup> As a result, the option of pursuing economic development through a nationally based class compromise has lost its attraction.<sup>89</sup> Coates concludes that even if the basic neo-corporatist structures remain in place, they are now being used "to ratchet down wages and labour rights in a slower more negotiated way than would be effected by the slash-and-burn employment policies dominant in more liberally based capitalist models."<sup>90</sup>

Other commentators argue the Swedish model – and by extension, the neo-corporatist model – is not finished. (For example, Sweden may have abandoned a national-level arrangement for negotiating wages, but it now has a variety of sectoral level neo-corporatist arrangements in place.) In this view, Sweden's high levels of labour force participation, and investment in human capital make it more capable of adapting to the demands of a globalized economy.<sup>91</sup> Thus, some social scientists see the Swedish experience as an indication of the potential for neo-corporatist regimes to resist the global drive towards the neo-liberal model.<sup>92</sup>

Swank argues the neo-corporatist regimes have the greatest capability to blunt the impact of globalization on the welfare state.<sup>93</sup> In a neo-corporatist regime, the labour movement has various institutional mechanisms by which it can articulate its concerns and "press claims on national policy makers to maintain or expand social protection."<sup>94</sup> Thus, despite the changes in countries like Sweden, the "relatively centralized labor and industrial relations systems" has persisted in the neo-corporatist regimes. In fact, "the more political forms of corporatism involving representation of labour, business, and other interests on national policy making and advisory boards, commissions and committees is still robust."<sup>95</sup> Furthermore, there are several European countries where collective bargaining was recentralized during the 1980s and 1990s, or where new neo-corporatist arrangements were created.<sup>96</sup> As a consequence, it seems likely that the neo-corporatist model is far from exhausted.<sup>97</sup>

### **Political arguments for and against neo-corporatist arrangements**

There are two types of political arguments commonly made against neo-corporatist arrangements.

First, many critics suggest neo-corporatist arrangements have a potentially **exclusionary character**. They permit the interest groups that are directly involved (usually capital and labour) to reach agreements that can impose losses on groups not represented at the table. In other words, while neo-corporatist arrangements work well in ensuring the interests of highly organized groups are dealt with, they are less effective at representing more diffuse interests.<sup>98</sup> For example, critics might suggest that neo-corporatist arrangements do not represent the interests of nonunion workers who are poorly paid. However, neo-

corporatist arrangements often involve centralized bargaining and a solidaristic wage strategy, producing results that tend to be much better for low paid workers than in a neo-liberal regime.<sup>99</sup>

Second, neo-corporatist arrangements are criticized for **undermining the role of democratically elected legislative bodies**. Democracy is premised on the equal right of all citizens to have their interests represented. By contrast, neo-corporatist arrangements extend a privilege to certain organized groups to influence policy. In that sense, neo-corporatist arrangements have a somewhat elitist character to them. (Supporters of neo-corporatist arrangements argue they do not undermine popular sovereignty, because politics in a modern democracy is based on the effort by interest groups to influence the state, even though some interest groups (e.g., the business elite) seem to have far more success than others.)

Despite these criticisms, advocates stress the positive role neo-corporatist arrangements play in the solution of public policy problems (e.g., how to promote economic growth) or in achieving certain political goals, like the extension of equality and democracy for example.<sup>100</sup> Furthermore, they argue neo-corporatist regimes make the **contest for influence** between the powerful business elite and the less powerful trade unions a more equal one. In that respect, neo-corporatist arrangements help to redress the political imbalance that exists between the groups with the greatest capacity to influence political decisions and those with much less ability to do so. Furthermore, neo-corporatist arrangements ensure the struggle for political influence takes place **in public**, under the auspices of the state.<sup>101</sup>

Finally, neo-corporatist arrangements **force opposing interests to work together**, in a fashion that can lead to a shift in relations between capital and labour – from a bargaining stance to a joint effort to engage in problem solving. Typical is the transformation of leaders of the different interest groups “from agents of individual interests to instruments of collective identity formation.”<sup>102</sup>

On balance, neo-corporatist institutions may do as much to democratize a capitalist society, as they do to restrict democracy.

### **How well does the neo-corporatist model fit the GN's vision of the future?**

To conclude, the neo-corporatist model of capitalism seems more compatible with the GN's vision of the future than does the neo-liberal one. (See the checklist contained in Figure 10.) Unlike the neo-liberal model, this one combines a commitment to economic growth with greater attention to the social fabric, insisting on a high degree of social consensus on economic policy, and ensuring the existence of a strong welfare state. Because it can address both the economic and the social needs of the Territory, the neo-corporatist model deserves serious consideration from policy-makers in Nunavut.

**FIGURE 10: THE COMPATIBILITY OF THE NEO-LIBERAL AND NEO-CORPORATIST MODELS WITH KEY ELEMENTS OF THE GN'S VISION OF THE FUTURE FOR NUNAVUT**

**KEY:**    Ω - the economic model is not highly compatible with this goal  
               Y - the economic model is highly compatible with this goal  
               ? - the compatibility of the model with this goal is uncertain

<b>GN'S VISION FOR THE FUTURE</b>	<b>NEO-LIBERAL MODEL</b>	<b>NEO-CORPORATIST MODEL</b>
<b><u>SOCIAL CONSENSUS AND COOPERATION (SOCIAL)</u></b>		
• Strong social consensus about territorial economic strategy established by the initiative of the GN;	Ω	Y
• Key organizations and interest groups are organized to participate as partners in developing the territorial economic strategy;	Ω	Y
• Economy & society are characterized by consensus and partnership with respect to economic development;	Ω	Y
<b><u>ROLE OF THE GN (POLITICAL)</u></b>		
• GN leads partners in developing and realizing a territorial economic strategy;	Ω	Y
• Other levels of government participate fully in developing the economic strategy;	?	?
• The GN's spending facilitates local economic development;	?	Y
• The GN is debt free;	Y	?
• The GN has won complete control over land & resources, or maintains campaign to do so;	?	?
• Significant investments have been made in human capital, infrastructure and knowledge about the economic potential of natural resources	Y	Y
<b><u>INUIT TRADITION (TRADITIONAL &amp; CULTURAL)</u></b>		
• Inuit world-view (IQ) plays a key role in guiding social and economic development;	?	?
• Economic growth is environmentally & culturally sustainable	Ω	Y
• The subsistence economy remains strong;	Ω	Y
<b><u>ECONOMIC PROSPERITY (ECONOMIC)</u></b>		
• Nunavummiut have increased opportunities to participate in either the waged economy or the traditional economy;	Y	Y
• Increased number of jobs and entrepreneurial opportunities;	Y	Y
• The private sector has become the primary engine of growth;	Y	?
• Exports are up, and the level of imports are down;	?	?

## **[7] THE CANADIAN EXPERIENCE WITH NEO-CORPORATISM**

The neo-corporatist model seems to have a lot in common with the GN's vision for Nunavut's future. It also seems to be viable economically and politically. However, all of the previous discussion has focused on European experience with national-level neo-corporatist arrangements. In this section we consider whether neo-corporatism is economically and politically viable on a sub-national scale, in North America.

We start by considering some of the reasons why neo-corporatism has not taken root at the national level within this country. We then examine three examples of sub-national experiments with neo-corporatist arrangements:

- experiments with neo-corporatist arrangements in Quebec;
- federal efforts to promote neo-corporatist arrangements in the sphere of labour market development; and
- a federal backed, neo-corporatist initiative that deals with human resources issues at the sectoral level.<sup>103</sup>

By looking at that experience, we demonstrate that even neo-liberal Canada can support sub-national neo-corporatist initiatives.

### ***The absence of national level neo-corporatist initiatives in Canada***

While neo-corporatist ideas have had an impact on Canadian thinkers and politicians, there is very little experience of trying to create neo-corporatist institutions on a national scale.<sup>104</sup> The sole exception was during the mid-1970s, when Trudeau's Liberal government briefly flirted with the idea of involving business and labour in a tripartite body to assist in controlling inflation. However, Trudeau's vision of a neo-corporatist body with a narrow focus on inflation was not accepted by either business or labour. Coming as it did at a time of escalating confrontation between workers and their employers, the idea was soon abandoned in favor of unilateral action by the federal government to control wages and prices.

There are several reasons why no federal government has ever made a serious attempt to establish nation-wide neo-corporatist institutions. First, the Canadian political system is simply not conducive to the development of neo-corporatism. Economic and political power is too fragmented between the federal and provincial levels, something that produces too many constitutional battles over which level of government has jurisdiction over what. Furthermore, there is the winner take all parliamentary system, which is not conducive to government power being shared among a variety of parties.<sup>105</sup>

A second reason why neo-corporatism has not developed is that neither business nor labour is centrally organized in Canada – something that is vital to make neo-corporatist arrangements possible. For example, although the Canadian Labour Congress (CLC) is the largest union central in the country, it does not represent all trade unions nationally. (For example, most trade unionists

in Quebec are not affiliated to the CLC.) More importantly, because most union contracts are covered under provincial legislation, the CLC does not have a mandate to engage in collective bargaining on behalf of its affiliates. Similarly, the main umbrella organizations for Canadian business – like the Canadian Council of Chief Executives (formerly called the Business Council on National Issues) for example – have little real power over their members.

*As a result, major areas of public policy that are subject to nation-wide bargaining in other systems – pensions, day care, supplementary health benefits – in Canada are either mandated by the state, imposed by individual firms, or subject to political processes quite different from the creative, state-sponsored cooperation that corporatists espouse.<sup>106</sup>*

A third reason why the European experience with neo-corporatism has never been duplicated at the national level in Canada has to do with the weakness of Canada's social democratic party, the NDP. In many European countries, it was the local variant of the NDP that was responsible for establishing neo-corporatist institutions while it was in power. In Canada, the NDP has never held power federally.

Despite those economic and political obstacles to the emergence of neo-corporatist institutions at the national level, there have been a number of interesting and important experiments at various sub-national levels. We can start by evaluating the experience in Quebec.

### **(A) A REGIONAL EXPERIMENT WITH NEO-CORPORATISM: THE QUEBEC EXPERIENCE**

Within Canada, Quebec is the only political unit with some history of experience of experimenting with province-wide neo-corporatist arrangements. During the two periods when the Parti Quebecois (PQ) has been in office (i.e., from 1976 to 1985, and again from 1994 until the present) there have been several neo-corporatist initiatives.

#### **Neo-corporatism and the first PQ government**

Quebec's first experiment with neo-corporatist arrangements occurred during the period after the PQ was elected in 1976. Under Rene Levesque, the PQ government undertook a variety of neo-corporatist initiatives in an effort to get the participation of business and labour in the development of economic policy.<sup>107</sup>

*...during the first two mandates of the PQ government (1976-85), thirty-seven socio-economic conferences were held, including three national summits, in addition to some twenty sectoral mini-summits and regional conferences.<sup>108</sup>*

The PQ hoped to establish a province-wide neo-corporatist council to permit labour and capital to participate in economic planning.<sup>109</sup> However, government domination of the process of consultation, coupled with residual antagonism



between the employers and unions, and the deep recession of 1981-82, derailed the PQ's neo-corporatist initiative. The experiment died well before the 1985 defeat of the PQ government.<sup>110</sup>

### **The PQ government and the national economic summits of the 1990s**

During the 1990s, business and labour both participated in a variety of government-sponsored neo-corporatist initiatives. For example, in 1996 the PQ government held two 'national' economic summits with participation from business, labour and other social groups (e.g., the womens' movement) to "renew Quebec's social pact" by building a consensus on directions for economic and social development.<sup>111</sup>

Those summits did not result in the creation of a province-wide neo-corporatist arrangement. Today, the PQ government consults with individual business and labour leaders, but there is no institutionalized relationship, through which labour and capital have the power to formulate and implement province-wide social and economic policy. In fact, since 1996, the influence of business on the PQ's economic strategy has grown, as the province heads in a more clearly neo-liberal direction.<sup>112</sup>

Despite the limitations of those province-wide summits, the PQ government has created neo-corporatist institutions at the sectoral and firm levels – to deal with issues like industrial strategy, training, adaptation to new technology, and social-co-operation within the firm.<sup>113</sup> As a consequence, Quebec now has more employer and employee involvement in the development and implementation of training programs than other provinces.<sup>114</sup>

In 1997, the federal government and the government of Quebec began implementation of a new Labour Market Development Agreement that transferred funding and staff for labour market programs from the former to the latter. The result was the creation of a new government employment agency called Emploi-Quebec. At the same time, the provincial government created a second organization to involve business and labour as advisors partners: the Commission des Partenaires du Marché du Travail (CPMT). This second organization includes representatives from labour, business, community organizations, the educational system, and Deputy Ministers from the relevant Quebec ministries. Although the CPMT nominally sets the annual priorities for Emploi-Quebec, it only has an advisory role, not a decision-making one.<sup>115</sup> Thus, it is not really a neo-corporatist institution.

### **Why there have been neo-corporatist experiments in Quebec**

There are several reasons why neo-corporatist experiments have been repeatedly undertaken in Quebec.

First, it is significant that the moving force behind most of the neo-corporatist experiments has been the PQ government. (The Quebec Liberal party has been far more reluctant to undertake neo-corporatist initiatives, except for a brief period in the early 1990s.) In power between 1976 and 1985, and again from 1993 until today, the PQ government has traditionally owed much of its electoral support to the labour movement and other socially conscious supporters of the nationalist cause. In that sense, its electoral base is similar to that of the social democratic parties that have been centrally involved in establishing many of the neo-corporatist arrangements in Europe.

That alone is insufficient to explain these neo-corporatist initiatives. After all, NDP governments have held power for long periods in several other provinces (e.g., Manitoba, Saskatchewan and BC) without producing any sustained efforts to establish neo-corporatist arrangements.

A second factor that helps to explain the Quebec initiatives is the role of nationalism in the province. Because the PQ is committed to sovereignty, it has tried to prove the viability of a sovereign Quebec by searching for policies that could unite all sectors of society behind common goals. One such goal is that of province-wide (i.e., national) plan for greater economic development. Thus, the PQ has sought to use neo-corporatist initiatives to bind different classes into a coalition that would not only promote regional economic competitiveness, but also bolster support for sovereignty. The unique political dynamics in the province of Quebec, where nationalism plays such an important role, helps to explain why it has experimented with neo-corporatist initiatives more than any other province.<sup>116</sup>

A third reason why the neo-corporatist experiments have occurred in Quebec has to do with the relative strength and the centralization of the PQ government's potential economic partners: business and labour. The Conseil du Patronat de Quebec (CPQ) is the largest and most important business organization in the province. It has several characteristics that make it quite unique within Canada. First, it is an umbrella association for all the major employers' associations in the province. Second, the CPQ holds monthly meetings where representatives to various organizations and bodies report back to the membership. Thus, employers in Quebec are better organized than their counterparts in other provinces, or at the national level.<sup>117</sup>

By contrast, the labour movement in Quebec is more fragmented than it is in other provinces, being divided between three large labour centrals: the FTQ (which is the Quebec-based counterpart of provincial and territorial federations of labour across the rest of the country), the CSN (a nationalist labour federation that exists only in Quebec), and the CEQ (a teachers federation that is also unique to Quebec). Nevertheless, all three labour centrals have extensive experience of direct contract negotiations on behalf of their affiliates, as well as a history of political involvement beyond the workplace.<sup>118</sup> Moreover, all three

labour centrals share an underlying commitment to social-democratic and nationalist goals, which has often predisposed them to support the neo-corporatist initiatives of the PQ.

### **Lessons of the Quebec experience for Nunavut**

The neo-corporatist experiments in Quebec are of interest for several reasons. First of all, they demonstrate that it is possible for a sub-national government in Canada to adopt neo-corporatist arrangements, even though the predominant economic model in Canada remains a neo-liberal one. Despite the shallowness and the episodic character of Quebec's experiments with province-wide neo-corporatism, the sectoral and workplace level initiatives have been more serious and more successful. (More on this below.)

Second, central to the experimentation with neo-corporatist arrangements has been the deeply rooted nationalist sentiment in Quebec.<sup>119</sup> While a national consciousness is not as fully developed among the Inuit of Nunavut, it might still play a similar role in enabling the GN to undertake neo-corporatist initiatives that are not possible in most other provinces or territories.

Third, there can be no doubt that the social democratic strain within the PQ has contributed to the party's willingness to experiment with various kinds of neo-corporatist experiments.

Finally, the hostility of some provincial bureaucrats towards various neo-corporatist experiments reminds us that the state is not a homogeneous entity. Even when political leaders adopt a neo-corporatist strategy, it can be undermined by the opposition of public servants.<sup>120</sup>

### **(B) AN INSTITUTIONAL VERSION OF NEO-CORPORATISM: LABOUR MARKET DEVELOPMENT BOARDS IN CANADA**

During the 1990s, the federal government and seven of the provinces created neo-corporatist structures to involve employers and unions in reforming the federal government's labour market policies. Although the experiment with Labour Force Development Boards (LFDBs) ultimately failed, that experience contains some lessons of relevance to Nunavut.<sup>121</sup>

#### **The origins of the LFDBs**

In 1991, Mulroney's government established the Canadian Labour Force Development Board (CLFDB) -- composed of representatives from the labour movement, business, equity groups and educators -- to provide it with advice on federal training expenditures.<sup>122</sup> Specifically, the CLFDB was designed to assist the federal government in shifting its spending on labour market programs away from income support in the form of unemployment insurance towards training (i.e., from 'passive' to 'active' measures).<sup>123</sup> To that end, the federal Minister

gave the CLFDB the power to determine how funds from the UI program should be spent on training, its annual recommendations to the government being considered binding by the minister.<sup>124</sup>

The CLFDB also assisted in the creation of provincial Labour Force Development Boards (LFDBs) in several provinces: Newfoundland, Nova Scotia, New Brunswick, and Saskatchewan. Quebec, Ontario, and BC. decided to pre-empt federal action and create their own LFDBs. Unlike the CLFDB, most of the provincial level Boards had an advisory role rather than decision making authority. (The ones in Ontario and Quebec were exceptions; both had decision making authority.)<sup>125</sup>

Among the activities the LFDBs were supposed to undertake were the following:

- assess the quality and quantity of existing training programs;
- ensure the creation of the proper links between the educational and training systems;
- advise the government on training policy;
- develop standards for skills training and certification to promote portability;
- develop eligibility criteria for income support for training programs; and
- establish guidelines for the allocation of funds for training.<sup>126</sup>

The policy on LFDBs was heavily influenced by European experience with neo-corporatism. That is evident in some of the features of these new institutions:

- the composition of the LFDBs was decided on the basis of a state decision about which interest groups were deemed to have a legitimate interest in the issues being dealt with;
- the organizations chosen to participate as representatives for various interest groups were expected to select their own representatives to speak on their behalf;
- the mandate for each LFDB was defined and/or authorized by government.

While the LFDBs had many of the characteristics of neo-corporatist arrangements, there was at least one way in which they departed from standard practice. Their composition went beyond the usual triumvirate of capital, labour and state to include educators and representatives of various equity groups<sup>127</sup>

### **Decline of the LFDBs**

Launched by the Mulroney government, the fortunes of the LFDBs declined with the 1993 election of the Liberals, and the 1995 referendum in Quebec. In 1996, the federal government announced it was withdrawing from the sphere of training (a traditional sore spot in its relations with the Quebec government), and that it was prepared to hand over responsibility and funding for its active labour market programmes (ALMPs) to the provinces.<sup>128</sup>

By 1997, several of the LFDBs had been disbanded, while others had been downsized. In 1997, the LFDB in Quebec (called the SQDM) was replaced by a new organization and in 1999, the CLFDB closed. Today, only the Boards in New Brunswick and Saskatchewan still operate, and both have more modest roles than they once did.<sup>129</sup>

### **Some conclusions from the LFDB experience**

We can draw several conclusions from the experience with LFDBs. First, the most successful one was in Quebec (i.e., the SQDM). In 1996, it was centrally involved in a government organized economic summit to develop provincial economic policy. Although the PQ eventually abolished the SQDM, it had more accomplishments to its credit than its counterparts in other provinces.<sup>130</sup> One reason for that success was the ability of the PQ to attract leading members from the business and labour elite into the SQDM. By contrast, many of the other provincial level LFDBs involved staff members from the organizations of business and labour, rather than their leadership. That undermined the effectiveness of the LFDBs.

Second, none of the LFDBs operated long enough to prove that labour and business could “work together to develop a shared strategic vision of labour market policy.” While there was little overt conflict in some of those bodies, that was accomplished by ducking some of the toughest issues. In other cases, labour and management failed to get over their initial antagonism.<sup>131</sup> That provides a warning about the difficulties of establishing neo-corporatist institutions that involve partners with a history of antagonistic relations.

Third, the inclusion of equity representatives on the LFDBs was judged to be a problem by representatives of capital and labour. Because the equity representatives were not grounded in, and disciplined by powerful mass organizations, they were less motivated to work towards a consensus. Labour and business participants on the LFDBs concluded that equity representatives should have been given a voice at the table, but no vote, to ensure they did not impede the operation of the Boards.<sup>132</sup> (The question of how many interest groups should be included as partners to a neo-corporatist arrangement in Nunavut is discussed in Section 9.)

Fourth, the LFDBs were victims of political and bureaucratic changes. When the federal government changed in 1993, and the federal ministers and senior bureaucrats responsible for the CLFDB initiative disappeared, that body quickly declined. Similarly at the provincial level, the LFDBs often met with resistance from provincial bureaucrats.<sup>133</sup>

Fifth, LFDBs are less likely to be successful in circumstances where the rate of unemployment is very high. (The active labour market policies found in neo-corporatist regimes in Europe were predicated on the existence of relatively low rates of unemployment.) When there is a high rate of unemployment, coupled

with a weakened social safety net – as in Canada during the mid-1990s – unions will oppose changes that create more unemployment, while employers will be less willing to support training initiatives. Thus, the LFDB initiative would have been more likely to succeed if it had coincided with an effort to address the macroeconomic problem of high unemployment.<sup>134</sup>

This last point has some obvious implications for a sub-national region like Nunavut. In a jurisdiction with a chronically high rate of unemployment, the long-term success of a neo-corporatist strategy depends upon the willingness of the major economic players (e.g., capital, labour, and the state) to adopt an economic strategy that includes an active labour market program (ALMP), a commitment to job creation, and a social safety net adequate to sustain the unemployed. Of course, a long-term economic strategy consists of far more than that. However, if a neo-corporatist arrangement does not include those elements, it is unlikely to survive. (More on this in Section 9.)

### **(C) A SECTORAL VERSION OF NEO-CORPORATISM: SECTORAL COUNCILS IN CANADA**

Since the mid-1980s, a new form of labour-management body has developed in Canada: sector councils (SCs). These institutions are a peculiarly Canadian innovation – an organization which unites employers and unions within a particular industrial sector (e.g., steel, textiles, information technology, software, aviation) – to pursue common objectives such as the “delivery of adjustment programs, administration of training funds for skills upgrading, and establishment of industry standards.”<sup>135</sup> (To facilitate their activities, SCs often invite other people to advise the SCs, including educators, and experts in fields like immigration, prior learning assessment and recognition, training, and employment equity.) Human Resources Development Canada (HRDC), the federal department which has encouraged and funded the development of the SCs, defines them as “a joint employer-employee organization that provides a neutral decision making forum to determine human resource issues within the sector, and to develop and implement a sectoral human resource strategy.”<sup>136</sup>

Unlike the LFDBs, all of the SCs are decision-making bodies, and all of them have been created because of the initiative of employers and/or union leaders in some sector of the economy. There are now close to 30 of these bodies, covering about a third of the Canadian labour force, each dealing with the HR issues of greatest concern in a particular sector. Those issues typically include upgrading the skills of the existing workforce, educating new generations of workers, recruiting workers with adequate qualifications into the sector, establishing occupational standards, and deciding upon the criteria for accreditation.<sup>137</sup>

To summarize, the SCs constitute a new arrangement whereby “business and labour organizations, using public funds, are given considerable autonomy to formulate and implement training policy at either the plants or sectoral level.”<sup>138</sup>

### **Origins of sector councils**

The first sector council developed in the Quebec aerospace industry in the early 1980s, at a time when the PQ government had taken steps to promote business-labour consultation at the sectoral level. By 1985, another sector council had developed in the steel industry based in Ontario.<sup>139</sup> Since then additional councils have sprung up, with the greatest period of growth occurring after the federal government allocated \$250 million to promote sectoral initiatives in 1992.<sup>140</sup>

The fate of the neo-corporatist experiment with sector councils has been very different from that of the LFDBs. Whereas the latter institutions fell out of favor with the Liberal government after it was elected in 1993, the SCs are still being actively funded and promoted by the federal government.<sup>141</sup> The Liberals continue to support SCs because they promote a “more effective development and delivery of labour market programs” and provide useful advice to government about public policy in this area. Furthermore, the government seems aware of the potential SCs have to enable labour and capital to undertake joint initiatives on broader issues.<sup>142</sup>

Before the SCs developed, training was governed exclusively by the decisions made by employers, often on the basis of what funds were available through government programs. However, with the rise of SCs a new arrangement has emerged, “in which business and labour organizations, using public funds, are given considerable autonomy to formulate and implement training policy at either the plant or sectoral level.”<sup>143</sup>

### **Why sector councils have been more successful than LFDBs**

SCs have been widely credited with fostering “a climate of trust” between business and labour, “based on a mutual desire and ability to resolve problems.” That trust may allow the SCs to expand the scope of their activities to include other issues that might “benefit from joint consultation outside the framework of collective bargaining” (e.g., the introduction of technological change or workplace practices).<sup>144</sup>

In part, the sectoral-level neo-corporatist initiative has been successful because the SCs deal with a limited number of issues of common concern to both labour and capital. For example, it is easier for employers and unions to agree on something like training, since it has an immediate potential to reward both parties, without requiring many concessions from either side.<sup>145</sup> (A better-trained workforce is more productive, creating greater profits and more job security.)

Unlike the LFDBs, which were broad in scope, and advisory in character, the SCs are more focused, decision-making bodies. Neo-corporatist arrangements with those characteristics are more likely to generate the trust required by partners to deal with more contentious issues (e.g., wage levels).<sup>146</sup> The SC experience also suggests sub-national neo-corporatist initiatives are more

successful when they build on voluntary association between capital and labour, as opposed to state imposed collaboration.<sup>147</sup> As noted above, the SCs were not simply created by a top-down government initiative. Nor has the government sought to police the SCs once they are established. In that respect, the SCs are qualitatively different from the LFDBs, over which the government sought to retain fairly tight control.

Another advantage the SCs have over the LFDBs is the strength of the mandate the partners typically bring to the table with them. When the steel companies and the few unions active in that industry sit across the table from each other, they can both be sure that the representatives at the table have a mandate to speak for their firms or their union members. Neo-corporatist arrangements do not work well when the partners are decentralized, internally divided or inadequately organized and mobilized.<sup>148</sup>

Finally, a last advantage the SCs have over the LFDBs is the ease with which employers and unions have been able to find common ground when they have not had to accommodate third and fourth parties.<sup>149</sup> (For more on the implications of this for Nunavut, see Section 9 below.)

**Conclusion: some lessons for Nunavut from Canadian experiments with sub-national forms of neo-corporatism**

Despite the neo-liberal nature of Canada, there have been some very interesting experiments with neo-corporatist arrangements – at the provincial level in Quebec, at the federal and provincial levels with LFDBs, and at the sectoral level with the SCs. The Canadian experience with sub-national forms of neo-corporatism allows us to draw a number of conclusions – both positive and negative – that can be used by policy-makers who might seek to develop a made-in-Nunavut economic strategy.

**(1) Adoption of a neo-corporatist strategy at a sub-national level is possible, even in neo-liberal North America:** The discussion in this section makes it clear Nunavut could adopt a Territory-wide, neo-corporatist strategy, even though no other province or Territory has ever done so. Even a country that adheres to the neo-liberal model nationally can support neo-corporatist initiatives at the sub-national level. Neo-corporatism is clearly a realistic and serious option when the federal government itself has been responsible for several sub-national neo-corporatist initiatives.

**(2) Sub-national neo-corporatist arrangements are necessarily smaller in scale and narrower in scope than nation-wide ones:** If Nunavummiut decide to adopt a neo-corporatist strategy, the GN cannot set out to create the same complex machinery of social collaboration that exists in a country like Sweden or the Netherlands. While a Territory-wide neo-corporatist arrangement would have the same general objective as national-level arrangements in Europe (i.e., to build a consensus while formulating and implementing particular economic and



social policies), the matters being negotiated would be smaller in number and scope. For example, given the division of powers in the Canadian political system, the partners in a Nunavut-wide neo-corporatist arrangement could – in principle – make decisions about educational issues, but not about the bank rate.<sup>150</sup>

Nevertheless, a Territory-wide neo-corporatist arrangement would be similar to a national-level one, in so far as it would require the GN to get representatives of labour, and capital to the table, on the basis of their geographic location. Thus, it is entirely possible the differences might be as great within the ranks of each camp, as they are between the two.

**(3) The preconditions for establishing a sub-national form of neo-corporatism are less stringent than for national-level arrangement:**

The preconditions for a sub-national neo-corporatist arrangement are not as demanding as they are for a national one. For example, as the SC experience shows, some sub-national arrangements do not require the same level of direct state involvement as a national-level initiative does. Furthermore, it is possible to include more than the standard three partners – capital, labour and the state – in such an arrangement, even if the additional partners do not speak with as much authority. (The experience of the LFDBs suggests it may be wise to include some interests at the table with voice but no vote.)

To develop a neo-corporatist strategy for Nunavut, it will be necessary to establish a single Territory-wide neo-corporatist institution, to deal with territorial economic social issues. However, that institution will probably need to be supplemented by the creation of a number of more specialized bodies to deal with more specific issues.

**(4) The state can play a crucial role in initiating a neo-corporatist arrangement, but it can also sabotage them:** Both the federal experience, and the experience in Quebec indicate how crucial the role of the state is. Although most neo-corporatist arrangements develop because of a state initiative (the SCs are a notable exception), they can also be undermined by the state. That was certainly the case with the LFDBs and many of the neo-corporatist initiatives taken by the PQ government in Quebec.

Neo-corporatist initiatives have been on and off the provincial agenda in Quebec several times throughout during the past thirty years, as governments and circumstances change. Given that neo-corporatist institutions are designed to build a high level of trust between the partners, the episodic nature of government support for them has not contributed to their success.<sup>151</sup> Building trust between the participants in a neo-corporatist institution can take a long time. Whatever level of trust has been established can be destroyed very quickly. Significantly, with the SCs, the most successful neo-corporatist initiative to date, the trust that exists has been built over many years. Furthermore, the

government's capacity to undermine it is smaller than was the case with the LFDBs.

The state defines which interest groups participate in a neo-corporatist arrangement and determines which organizations and individuals are the legitimate representatives of those interests. As we saw in the case of the LFDBs, the state decision to include equity representatives was a controversial choice. In Nunavut, the GN will have to determine not only who participates in the neo-corporatist arrangements, but who does not.

**(5) The value of establishing trust by building neo-corporatist institutions from the bottom-up:** In some circumstances it may make more sense for the state to encourage existing institutions to move towards a neo-corporatist arrangement, as opposed to creating something new. Part of the reason why SCs have had some success is that they were not imposed on the participants by the state, in a top-down fashion. In that respect, the existing traditions of social cooperation in Nunavut give the GN a good base upon which to build. There are already many efforts at social cooperation that have yet to be institutionalized in a neo-corporatist fashion.

**(6) The role nationalism can play in encouraging disparate interests to cooperate:** The experience in Quebec reminds us that in neo-liberal North America, nationalism can play a major role in pushing potential partners towards a neo-corporatist arrangement. Since there is an undeniable undercurrent of Inuit nationalism evident in many debates over public policy in Nunavut, that can be a contributing factor to the success of a neo-corporatist initiative.

## **[8] IS NUNAVUT NATURALLY PREDISPOSED TOWARDS ADOPTING A NEO-CORPORATIST STRATEGY FOR ECONOMIC DEVELOPMENT?**

The very things that make Nunavut's economy, government, and society unique, will inevitably push it towards the neo-corporatist option, even if the GN consciously adopts the neo-liberal model as the basis for its economic strategy. The need for cooperation, partnership and consensus in guiding the economic direction of the Territory is hard-wired into the very nature of Nunavut.

This section outlines some of the reasons why Nunavut's predisposition towards a neo-corporatist form of economic development is so strong. We suggest that drive is so strong it will inevitably flavor the Territory's economic strategy, even if the policy-makers adopt a neo-liberal economic strategy. We argue the contradiction between the neo-liberal policy environment in Canada, and the neo-corporatist tendencies evident in the institutions and culture of Nunavut, can only

be satisfactorily resolved if Nunavummiut become fully aware of it, and then address it by adopting a neo-corporatist strategy.

There are at least seven features of the economy and society in Nunavut that predispose it towards adoption of a neo-corporatist economic strategy:

**(1) The institutional structure of Nunavut:**

There are several reasons why the unique institutional structure of government in Nunavut makes a neo-corporatist model of economic development more appropriate than with a neo-liberal one. First, the main **capital assets** in the Territory – land and the region’s non-renewable resources – are publicly owned by the GN and the GC, or they are held in trust for the Inuit by NTI. Furthermore, their use is strictly regulated by the NLCA and by the IPGs. As a consequence, any economic development that involves land and/or resources will require extensive involvement by the GN, the GC, the IPGs and the DIOs. Since major development projects will always require high levels of involvement from a variety of quasi-governmental institutions, the GN’s economic strategy should assume that high levels of cooperation will always be necessary. In Nunavut, it will always be necessary for the GN, the DIOs and IPGs to co-operate closely with capital in pursuit of a form of sustainable development that will benefit all concerned.

Second, the GN is a weak government, given its dependence on the GC for most of its finances, and the continued control by the GC over most of Nunavut’s land and resources. That weakness is compounded by the **fragmentation of political power** that stems from the existence of the NLCA, the DIOs and the IPGs. As a consequence, the GN has less capacity to unilaterally devise and carry out an economic strategy than other territorial or provincial governments. To act on a long-term strategy for economic development will require the GN to create – at a minimum -- a means for regular and extensive consultation with the DIOs and the IPGs. Given that reality, major private sector employers will eventually insist on being at the same table when decisions about economic strategy are made. In other words, the administrative structure of the Territory dictates an economic strategy based on joint decision making and social cooperation. It would be far better if the Territory’s overall economic strategy made a virtue out of that necessity. If political and administrative realities force the government to negotiate its economic strategy with very powerful interest groups, it would be best to adopt a long-term economic model that is compatible with a cooperatively developed economic strategy that embraces all the major economic interest groups.

Third, there is another feature of the political system in Nunavut which will inevitably shape the capacity of the GN to undertake a cooperative process of economic development: the **absence of a party system**. In the southern provinces, the party system, coupled with the lack of influence that some key interest groups have with government (e.g., the trade unions when the Liberals or

Tories are in office), makes it difficult for legislatures to achieve any kind of social consensus on economic policy. The dynamics of party competition in the British parliamentary system, coupled with the tendency for most provinces to have majority governments, mitigates against the influence of some major interest groups over crucial economic and social policies. The absence of that party system in Nunavut may make it easier for the GN to develop policies on the basis of consensus building among the main economic interest groups.

## **(2) Inuit culture and social cooperation:**

As a society, Nunavut is shaped by very different values than the southern provinces. With the social priority attached to sharing, cooperation, consensus and Inuit knowledge (IQ), a neo-liberal economic strategy would simply not be a good fit.<sup>152</sup> The basic values of Nunavummiut are closer to those found in countries with a strong tradition of neo-corporatism (e.g., collectivism, solidarity, mutual support, social cooperation, egalitarianism, etc.) than to the values associated with neo-liberalism (e.g., individualism, self-interest, competition, inequality, etc.).

Of course, the values predominant in a neo-corporatist regime are not entirely different from those in neo-liberal countries like the US and Canada. After all, countries like Sweden and Canada both have a market economy and a welfare state, even though there are differences in their long-term economic strategies. The values found in both countries reflect the tension between the market and forms of social cooperation, with the balance between the two being different in Canada than they are in Sweden.

The key point is that the values characteristic of Inuit society are more compatible with those associated with neo-corporatist regimes than with the values that are typical of neo-liberal ones.

## **(3) The importance of the goal of sustainable economic development:**

The GN's vision of the future, which makes sustainable development one of its key objectives, favors adoption of an economic strategy based on neo-corporatist principles.

Sustainable development (SD) was famously defined in the 1987 Brundtland Report as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."<sup>153</sup> Given its ambiguities, it is hardly surprising that definition has been open to quite different interpretations.

*Those who support a neo-liberal definition of sustainable development interpret SD as sustainable growth, namely, the ability to continue economic growth as measured by the consumption of goods and services traded in the market.... Critics of this neo-liberal approach highlight its failure to distinguish between growth*

*and development. Growth is a quantitative term while development is qualitative.*<sup>154</sup>

**Growth** measures the rate of flow of money and commodities through the economy; **development** refers to a purposeful and qualitative improvement in the productivity and well being of a majority of the population, without any consequent degradation of the environment. It is about providing the goods and services needed by humanity while preserving the ecological basis for such activity throughout the future.<sup>155</sup> It is entirely possible to have growth without real development and vice versa. An example illustrates the point. "In Alaska after the 1989 Exxon Valdez oil spill, total income as measured by GDP actually increased as a result of expenditures made cleaning up the oil, even though this was ultimately a cost undermining human well-being."<sup>156</sup>

The neo-liberal conception of sustainable development as repeatable economic growth ignores the real environmental and social costs (both short-term and long-term) of producing goods and services. Often, the economic price of a commodity (like oil for example) does not reflect its full cost, because the costs of undoing the degradation inflicted on the environment and the harm done to people is not included in the price.<sup>157</sup> (If it was, there would be much lower profit levels for oil companies.) Thus, the profound respect for nature that is central to the goal of sustainable development and to Inuit values is not very compatible with the neo-liberal model of capitalism and its preoccupation with growth.

While adoption of a neo-corporatist strategy will not automatically solve such problems (the price of oil will never be set by Nunavummiut), it will make it more likely that environmental concerns shape the economic decisions made by the GN and the major corporations operating in the Territory. Evidence suggests that during the twenty five-year period between 1970 and 1995, neo-corporatist regimes consistently out-performed neo-liberal ones in terms of curbing pollution levels.<sup>158</sup>

#### **(4) The Inuit desire to preserve and strengthen the land based economy:**

The continued viability of the land-based economy will require concerted cooperation between all the key economic players in the Territory: DIOs, IPGs, the GN, employers and trade unions. All those groups must cooperate for an economic strategy to be successful in both strengthening the opportunity for Nunavummiut to work in the labour market while making allowances for them to engage in traditional activity outside the labour market.

While both the GC and the GN have certain obligations to support the hunting, fishing and domestic activity at the center of the land based economy, it is clear that traditional activity can be imperiled by certain types of long-term economic development. The further commodification of all aspects of northern life needs to be closely monitored and regulated, to ensure the growing power of the market does not encroach on the economic and social space required by those active in

the land based economy. Adoption of a neo-liberal economic strategy would restrict the right of the GN and Nunavummiut to consciously decide what should be for sale and should not be. In other words, it would limit the capacity of the GN to regulate the scope of the market at the behest of citizens.<sup>159</sup>

**(5) The dominant role of the public sector within the economy makes a cooperative approach imperative:**

The overall significance of the public sector within Nunavut's economy means, by definition, the GC and the GN will be the dominant players in the economy for a long time to come. While the NLCA obligates both governments to consult the DIOs and IPGs before making many economic decisions, it does not require either the GN or the GC to consult with capital or labour.

However, the GN's vision of the future is based on a belief in the importance of the private sector to the development of the economy. Indeed, to be a success, the GN's economic strategy must produce a dramatic increase in the power of private sector capital, with a corresponding increase in the number of private sector workers. Weak though those two economic players may be at present, they represent the economic future. The GN needs to nurture them both, and create the circumstances where both can be equal partners with the GN, the DIOs and the IPGs in determining Nunavut's long-term economic strategy.

**(6) The campaign for control of land and resources:**

As large-scale economic development occurs in Nunavut, the issue of control over the Territory's lands and resources will come to the fore. For the GN to gain control over those lands and resources from the GC, the Inuit territorial elite will be forced to mobilize the local community. The Inuit nationalism that currently exists within Nunavut is likely to become more important as a political factor over time. Furthermore, the growth of Inuit nationalism is likely to increase the demand for social cooperation in the pursuit of economic development. Indeed, conflict between the GC and the GN has the potential to bring local capital and labour together towards a co-operative relationship with the state in the pursuit of Nunavut's national interest.<sup>160</sup> Such a development will lead to the same kinds of pressures that have periodically led the PQ government in Quebec to experiment with neo-corporatist arrangements.

**Conclusion**

For all those reasons, Nunavut will naturally gravitate towards the neo-corporatist model of development, even if decision-makers are unaware that is happening. If they are conscious of the natural pull towards neo-corporatism, Nunavut's policy makers have the option of turning necessity into a virtue. Instead of resisting the pull towards a neo-corporatist model of development, because the economic

orthodoxy in North America is so heavily neo-liberal, they can embrace it and turn it to the advantage of Nunavummiut.

## **[9] SOME POTENTIAL OBSTACLES TO NEO-CORPORATIST DEVELOPMENT IN NUNAVUT**

Despite the natural fit between Nunavut's aspirations and the neo-corporatist model of development, there will be some major challenges to overcome if the GN decides to go that route. This section looks at six potential obstacles that may have to be dealt with.

### **Challenge #1: The possibility of some opposition from the GC**

The **dependence** of the territorial state upon the GC for most of its revenue means the GN remains politically vulnerable. That, plus the very small size of the private sector in Nunavut, means the GN has a limited capacity for highly independent action when it comes to economic strategy. However, there are at least two reasons why that should not prohibit the GN from adopting a neo-corporatist strategy. First, no provincial or territorial government – including those dominated by the NDP or the PQ – has ever been refused transfer payments from the GC because of a dislike for the economic strategy being pursued by the province. Second, as Section 7 of this paper suggested, the GC has already proven its willingness to tolerate and even engage in some experimentation with sub-national neo-corporatist arrangements. Only in the circumstances where the federal government was controlled by a more right-wing party (e.g., the Canadian Alliance) would a neo-corporatist regime in Nunavut have something to fear from the GC.

### **Challenge #2: the absence of credible Territory-wide organizations representing key economic interest groups**

Establishing a territorial-wide neo-corporatist arrangement presupposes the existence of **centralized organizations** representing the key economic actors. While the GN, the DIOs and the IPGs are all organized, neither of the two standard partners in a neo-corporatist arrangement – capital and labour – are currently represented by umbrella organizations with much power or credibility. As a consequence, before establishing neo-corporatist institutions, the GN will probably have to assist both employers and unions to establish Territory-wide organizations.<sup>161</sup> Changes to existing laws, regulations and tax policies can encourage businesses and workers to get organized. For example, making all expenses associated with joining a territorial business association tax deductible will help, as will changes to the legal regulations governing union organization.

In assisting capital and labour to get organized on a Territory-wide basis, the GN can encourage employers and unionists to create all-encompassing, democratic organizations with a capacity to represent their entire potential constituency. However, the GN should be very careful to ensure those interest groups organize

themselves according to their own needs and concerns, albeit with government support or assistance.

### **Challenge #3: Opposition to the establishment of a neo-corporatist arrangement by business**

The private sector in Nunavut is effectively split between two types of capital: a large number of very small local companies (i.e., companies with 10 or fewer employees) that are based in the Territory, and a handful of very large, externally based companies. (Many of the former group are small Inuit owned businesses.) Urging employers to organize into a Territory-wide council will not completely bridge the different interests of those two segments of capital. (The large employers have the resources and the skill to organize if they so choose, but little incentive to do so. The small employers have a much greater need to get organized, but do not have the time, resources or skills to do so.<sup>162</sup>) Nevertheless, the GN needs to encourage both territorial-based employers, and those based outside Nunavut to form two distinct but very closely aligned organizations that can be partners inside the neo-corporatist institutions that get created.<sup>163</sup> (Because of the very different character of local and extra-territorial capital, their different treatment under the land claim, and their somewhat different interests, the two segments of capital need their own organizations. However, they should share a single seat at the table in any territorial-wide neo-corporatist arrangement.)

### **Challenge #4: Complications arising from the need to involve more than the standard three partners in the neo-corporatist institutions that get created**

The neo-corporatist institutions that get created in Nunavut should involve more than the three partners who are normally at the center of such arrangements: capital, labour and the state. In our view, a Territory-wide neo-corporatist arrangement should involve the following five partners:

- ***Territorial Government:*** the GN;
- ***Labour:*** a newly created Nunavut Federation of Labour;
- ***Capital:***
  - a new federation of Nunavut based businesses;
  - a new federation of extra-territorial businesses operating in Nunavut;
- ***Ethnic/national organization:*** NTI
- ***Federal Government of Canada/Land claim:*** the IPGs

Each of these five partners should have a single seat at the table in a Territory-wide neo-corporatist institution, with the GN deciding which organizations are qualified to speak on behalf of each of the four constituencies that need to be represented. (It may not be necessary to have all four partners join the government in some of the sub-territorial neo-corporatist institutions that should be created.) In some cases (e.g., with the business community, the seat at the table will have to be shared or alternated.) A territorial wide neo-corporatist body should operate on the basis of consensus.



There are three good reasons for having NTI at the table. First, Nunavut as a Territory owes its existence to political action by the dominant ethnic/national group: Inuit. As such, they need to be represented at the table when economic and social policy is being debated. Secondly, under the land claim, the GN often requires NTI's support for many of its economic or social initiatives. Third, the DIOs are already engaged in economic development activities. As such they need to be included.

The rationale for involving the IPGs is somewhat similar. Like the DIOs, the IPGs must be consulted by the GN before making certain kinds of economic decisions. Furthermore, the IPGs represent the continued presence of the GC in the Territory, and as such they may be able to play a vital role in representing the residual interests of the GC in Nunavut. (More on this below.)

Of course that constellation of partners poses some obvious problems. For example, there is an imbalance of power among the five partners at the table. At present, the NTI is better organized politically, and more important economically than either capital or labour. Furthermore, the GN is already legally obligated to consult both NTI and the IPGs on many aspects of its economic strategy, by virtue of the land claim agreement. Those realities might work against the NTI appreciating the long-term value of joining a neo-corporatist arrangement as one of five equal partners. Indeed, it is possible to anticipate difficulties arising with each of the potential partners. As a consequence, it will take enlightened leadership from the GN and the other four partners to establish a neo-corporatist arrangement and then make it work.

The politics of getting the GN's partners to sign on to such an arrangement will necessarily be at the forefront of the obstacles to be overcome. However, there really is no alternative for the GN if it wants to harness the small resources that exist within Nunavut to achieve its version of economic development.

**Challenge #5: The problem of whether to involve other levels of government (i.e., the federal and/or municipal governments) in a territory-wide neo-corporatist institution**

It would be inappropriate to involve the GC in a territory-wide neo-corporatist arrangement, except through the IPGs. A neo-corporatist institution is an economic and political arrangement created by a single government to build a consensus on economic and social policies within its territory, and within areas of its jurisdiction. As such, there is no place for a second government in a neo-corporatist arrangement if that government is of equal stature (e.g., two provinces) or superordinate to the government creating the neo-corporatist arrangement (e.g., the federal government in relation to a territorial initiative to establish a neo-corporatist arrangement).

By definition, all governments have distinct territorial and/or constitutional responsibilities. No two governments can be equally responsible for a specific type of economic or social policy within a given territory. In the case of the GN and the GC, each has distinct areas of jurisdiction. For example, the GN does not have the power to regulate the banks, and the GC does not have the power to determine provincial labour policy. While one level of government can lobby another level of government about the policies the latter adopts, that is all it can do.

Within its territorial boundaries, and within the scope of its constitutional jurisdiction, the GN alone is responsible for its policies. As a consequence, within a territorial-based neo-corporatist arrangement (i.e. one restricted geographically and jurisdictionally to Nunavut) there is no place for the GC or another territorial or provincial government.

There are some different reasons for excluding Nunavut's municipal governments from participation in a territorial neo-corporatist institution. First, because the municipal councils are a lower order of government, and legally subordinate to the territorial law which governs them, it would be politically awkward to put them on an equal footing with the GN within such an institution.

Second, most of the decisions made by a territorial neo-corporatist institution would be territorial in scope. By definition, municipal governments represent the interests of a small part of the territory, unlike the territory wide constituencies of the five partners we have proposed. Even though Nunavummiut attach great importance to community economic development, the kinds of issues a Nunavut-wide neo-corporatist institutions might deal with (e.g., policies on training, investment, labour legislation) cannot be adequately dealt with at the community level. Furthermore, all five of the territory-wide organizations that would be involved in a Nunavut neo-corporatist institution have good reason to keep themselves well informed about realities at the community level. That is essential in representing their constituencies effectively.

Third, the greater the number of interest groups involved in a neo-corporatist institution, the harder it becomes to build an effective partnership and a consensus. The five interest groups we have identified as key partners for a territory-wide institution will already make achieving a consensus somewhat more difficult than it is in most European neo-corporatist institutions.

#### **Challenge #6: The ideological instability of politics in Nunavut**

National-level neo-corporatist arrangements have typically developed in countries where there have been strong social-democratic (or christian democratic) parties, which sometimes form a government. That is quite a different from the political situation that currently exists in Nunavut. Like the Northwest Territories, Nunavut does not have a tradition of partisan politics, let alone a tradition of electing a social democratic or christian democratic

government. Operating without formal parties in the territorial legislature means politics in Nunavut may be too unstable to establish, and maintain a neo-corporatist arrangement over the long-term.

It is unclear whether the absence of a political party that supports the existence of neo-corporatism makes the adoption of that kind of strategy more or less likely to succeed in Nunavut. Although there is no group of MLAs motivated by adherence to a social democratic or christian democratic political perspective, the common commitment to Inuit traditions of social cooperation might suffice to give newly created neo-corporatist institutions stability and direction.

**Challenge #7: The difficulty of adopting and maintaining a neo-corporatist strategy in a region without a high-productivity workforce, and with a high level of unemployment**

The neo-corporatist regimes in Europe have economies that are centered on the export of commodities produced by a highly educated, high productivity workforce. Obviously, that is very different from the situation in Nunavut, where there is little chance of developing an economy centered on the export of high value goods. If the GN does adopt a neo-corporatist strategy, it will not be able to mechanically apply the experience of neo-corporatist regimes in northern Europe to the situation in the Canadian Arctic. The creation of neo-corporatist institutions will assist the GN to assemble some of the most informed people in the Territory to design and implement a made-in-Nunavut economic strategy. However, it will not eliminate the need for those government officials, Inuit leaders, business people, and trade unionists to undertake the painstaking work of developing specific economic policies and programs.

The logic of neo-corporatist institutions encourages the partners to propose some kinds of policies (e.g., ones that embody a consensus about how the partners can all pursue their common interests), while ruling out others (e.g., policies that would undermine the capacity of one or more partners to organize themselves). However, that tells us little about the specific policies and programs the GN, DIOs, IPGs, businesses and trade unions might propose in areas like resource development, tourism, or job creation. It is pointless to speculate here on what those policies might include. Until neo-corporatist institutions have been created, and until they have had some time to work, many of the details of a neo-corporatist economic strategy for Nunavut will necessarily remain unclear.

Certainly, the adoption of a neo-corporatist strategy by the GN would not immediately produce the policies and programs required to solve problems like unemployment. It will take more than the creation of neo-corporatist institutions, and more than the design of new policies and programs by those institutions to solve such a problem. (Solving the problem also depends upon factors that are well beyond the control of the partners to a neo-corporatist arrangement, like the state of the world economy.) Adoption of a neo-corporatist strategy cannot guarantee Nunavummiut will succeed in overcoming the unemployment problem.

It can only guarantee Nunavut will not fail in its efforts to do so because of the absence of social cooperation among the major players in the territorial economy. In other words, the creation of neo-corporatist institutions may well be a **necessary condition** for Nunavummiut to solve the problem of unemployment, but it is certainly not a **sufficient condition** for doing so.

## **[10] CONCLUSION AND RECOMMENDATIONS FOR THE GN: DEVELOPING A NEO-CORPORATIST ECONOMIC STRATEGY FOR NUNAVUT**

### ***Recommendation***

To enhance the degree of Territory-wide economic cooperation and coordination, and to ensure success in realizing its goals, the GN should adopt a neo-corporatist economic strategy. That is the best way to draw all the main economic interest groups – employers, labour, DIOs, and IPGs – into Territory-wide social and economic partnership.<sup>164</sup> (While the DIOs and IPGs represent the economic and political strengths of the Inuit past, business organizations and trade unions represent the hope for economic success in the future.)

However, in recommending the GN adopt an economic strategy motivated by neo-corporatist principles, two notes of caution are in order.

First, adopting a neo-corporatist strategy for economic development is no magic solution to the challenges Nunavut faces. There is no formula the GN can copy. Even if Nunavummiut adopt a neo-corporatist model of economic development, it will still be necessary to create a made-in-Nunavut strategy. And that will take time, patience and hard work. Regardless of what strategy Nunavut adopts it will face serious economic challenges. That is inherent in its situation as a new political jurisdiction, with a small population and a weak economy, which happens to be heavily dependent upon a higher level of government.

Still, to the extent the GN has choices to make about economic development, it can ensure those choices are informed by a neo-corporatist strategy rather than a neo-liberal one. Since most of economic power in Canada and in Nunavut remains in the hands of the federal state, and the banks and corporations based outside the Territory, the GN is somewhat restricted to modifying the general economic direction being set elsewhere. Despite those limitations, the GN has some important choices to make about economic and social policy.

Second, there would be no point in adopting a neo-corporatist strategy with the expectation it would deliver significant results within a few years. It will probably take about five years from the creation of neo-corporatist institutions for them to generate the level of social cooperation that can have a noticeable economic and social impact.

Because the adoption of a neo-corporatist strategy depends upon a political decision made by the legislature of Nunavut, it is inevitable the legislature will eventually want to review the effectiveness of the new institutions. Further, because of the inherently political nature of the process of policy design and implementation carried out within the new neo-corporatist institutions, it is likely the whole arrangement will be subject to regular public scrutiny. Despite that, public scrutiny, we believe the territorial legislature should refrain from any review of the new institutions for a period of at least five years after its creation. To do otherwise would make it more difficult for the organizations involved to make the full commitment required for success.

**What the GN should do in order to adopt a neo-corporatist strategy**

The following actions are crucial for the GN to succeed to developing and implementing a neo-corporatist strategy for Nunavut:

**IMMEDIATE ACTIONS:** *(Actions to be taken prior to a decision by the legislature to adopt a neo-corporatist strategy for economic development.)* The GN should do the following:

- Launch a public education process about the broad economic strategies being considered (including the neo-liberal and neo-corporatist alternatives) as part of the Naujaat Challenge process. (Circulate copies of this document for example.)
- Develop 1 or 2 page summaries outlining the main choices to be made in selecting the general direction for a territorial economic strategy.
- Solicit the opinions of the public and the major interest groups in public hearings on the main economic alternatives.

**SHORT-TERM ACTIONS:** *(To be taken during the two years after the GN formally adopts a neo-corporatist strategy)* The GN should do the following:

- Create a task force composed of government officials and representatives of the key interest groups that would be involved in neo-corporatist institutions (DIOs, IPGs, employers and trade unionists) to recommend how to create and maintain the institutions needed for ongoing social cooperation.
- Assist trade unions and employers to create Territory-wide organizations capable of representing the interests of workers and businesses in various types of neo-corporatist bodies;
- Begin building the institutional basis for neo-corporatism by establishing an annual summit of the key economic interest groups (DIOs, IPGs, employers and trade unionists under the direction of the GN) to make decisions about key aspects of territorial economic strategy.
- Establish an agenda of issues to be handled by the annual economic summit, including some of the following:
  - labour market policy,
  - labour standards;

- training;
- social welfare;
- territorial control of Nunavut's lands and resources;
- social investment policies;
- Prepare and pass any legislation required to establish a variety of neo-corporatist institutions and structures, and
- Establish a special unit on economic cooperation within the Department of Sustainable Development to run the annual economic summits, and to prepare a five-year action plan for building neo-corporatist institutions and partnerships.

### **MEDIUM AND LONG-TERM ACTIONS**

The special unit on economic cooperation in the Department of Sustainable Development should determine these.

## ENDNOTES

<sup>1</sup> See *The Naujaat Challenge: Working Together*, Department of Sustainable Development, Government of Nunavut, 2002.

<sup>2</sup> Critics might point out there are other models of capitalist development that should also be considered, apart from the two discussed here. Or, they might even suggest the need to consider non-capitalist models of development. Whatever the validity of such views, the forthcoming debate on economic strategy in Nunavut seems likely to focus on the virtues of the neo-liberal model that is predominant in North America. The purpose of this paper is to broaden the discussion by encouraging policy makers to consider the potential relevance of at least one other model of development – one which is quite compatible with the publicly expressed goals of the existing territorial government.

<sup>3</sup> The forms of family and community social organization that provide the underpinnings for the land-based portion of the economy overlap with what some social scientists now call ‘social capital’. The Conference Board has used the concept of social capital to analyze the economic situation in Nunavut. See *Nunavut Economic Outlook: An Examination of the Nunavut Economy*, Conference Board of Canada, May 2001, pages 11, 38-50. For a critique of the concept of social capital, see *Social Capital Versus Social Theory: Political Economy and Social Science at the Turn of the Millenium*, Ben Fine, Routledge, 2001.

<sup>4</sup> See *Submission of the Inuit Tapirisat of Canada to the Royal Commission on Aboriginal Peoples, March 31, 1994*, Ottawa, page 67.

<sup>5</sup> See “Nunavut: Inuit Self-Determination through a Land Claim and Public Government?,” by Jack Hicks and Graham White, in *Nunavut: Inuit Regain Control of their Lands and their Lives*, edited by Jens Dahl, Jack Hicks and Peter Jull, IWGIA Document Number 102, Copenhagen, 2000, page 42.

<sup>6</sup> This situation may change in the future, since any new mines that open will do so under a different regulatory regime – one which will include tighter guidelines with respect to environmental concerns, local hiring practices, and local service contracts. See *2002 Nunavut Economic Outlook: An Examination of the Nunavut Economy*, The Conference Board of Canada, draft document dated September 2002, page 27.

<sup>7</sup> Hicks & White, page 41.

<sup>8</sup> Hicks & White, pages 41-42.

<sup>9</sup> See *Nunavut Economic Outlook...*, page iii.

<sup>10</sup> Hicks & White, page 43.

<sup>11</sup> Hicks & White, pages 61-62.

<sup>12</sup> According to the Conference Board, per capita income in Nunavut was significantly lower than the Canadian average in 1999, at \$18,630 versus \$25,485. See *Nunavut Economic Outlook...*, page 31. Also see Hicks & White, page 3, and *Report of the Royal Commission on Aboriginal Peoples: Perspectives and Realities*, Minister of Supply and Services, Government of Canada, 1996, volume 4, page 473.

<sup>13</sup> See the discussion in *The Inuit Way: A Guide to Inuit Culture*, Pauktuutit, Ottawa, no date, page:16.

<sup>14</sup> See *Nunavut Economic Outlook...*, pages vi-vii, 3, 4, 8, 90-91.

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<sup>15</sup> Neo-corporatist regimes come in two varieties: a social democratic one (e.g., Sweden) and a more conservative one (e.g., Germany). See *Models of Capitalism: Growth and Stagnation in the Modern Era*, David Coates, Polity Press, 2000, pages 9-11, and *Social Partnership and Economic Performance: The Case of Europe*, Bernard Casey & Michael Gold, Edward Elgar, 2000, page 11.

<sup>16</sup> It would not be inaccurate to call the two models we use here ‘ideal types’.

<sup>17</sup> See *The Politics of the Welfare State: Canada, Sweden and the United States*, by Gregg M Olsen, Oxford University Press, 2002, pages 37-38 and 176.

<sup>18</sup> For a brief review of the origins and development of neo-liberalism see Andrew Gamble’s article “Neo-liberalism,” *Capital & Class* #75, Autumn 2001.

<sup>19</sup> See “Introduction,” in *Restructuring and Resistance: Canadian Public Policy in an Age of Global Capitalism*, Edited by Mike Burke, Colin Mooers, John Shields, Fernwood, 2000, page 12.

<sup>20</sup> See *Paradigm Shift: Globalization and the Canadian State*, Stephen McBride, Fernwood, 2002, pages 13-14.

<sup>21</sup> This argument is outlined very clearly in a number of recent books that criticize the growth of neo-liberalism in Canada. For example, see *Shrinking the State: Globalization and Public Administration Reform*, by John Shields & B Mitchell Evans, Fernwood, 1998, pages 79-81; *Dismantling a Nation: The Transition to Corporate Rule in Canada*, Stephen McBride & John Shields, second edition, Fernwood 1997, pages 28-30, and *Globalization and the Decline of Social Reform: Into the Twenty-First Century*, Gary Teeple, Garamond Press, 2000, pages 126-130, 158-160.

<sup>22</sup> See *Everything For Sale: The Virtues and limits of Markets*, Robert Kuttner, University of Chicago press, 1996, pages 3 and 330.

<sup>23</sup> See *The Politics of the Welfare State: Canada, Sweden and the United States*, Gregg M Olsen, Oxford University Press, 2002, page 194. Also see the sources cited in footnote 19.

<sup>24</sup> See Olsen, page 73.

<sup>25</sup> On this point, see the following sources: *Falling Behind: The State of Working Canada, 2000*, Andrew Jackson et al, Canadian Centre for Policy Alternatives, 2000; *The Politics of the Welfare State* by Olsen; *Shrinking the State*, by Shields & Evans; *Dismantling a Nation*, by McBride & Shields; *Paradigm Shift*, by McBride; and *Changing politics of Canadian Social Policy*, by James J Rice and Michael J Prince, University of Toronto press, 2000.

<sup>26</sup> For comprehensive documentation of the negative impact neo-liberalism has had on the standard of living of many working Canadians, see the wealth of statistical evidence presented in *Falling Behind: The State of Working Canada, 2000*, Andrew Jackson et al, Canadian Centre for Policy Alternatives, 2000.

<sup>27</sup> For extensive documentation, see *Models of Capitalism...*, Coates, and *The Economics of Global Turbulence: A Special report on the World Economy, 1950-98*, by Robert Brenner, special issue of *New Left Review* #229, May-June 1998, and Brenner’s *The Boom and the Bubble: The US in the World Economy*, Verso, 2002.

<sup>28</sup> That record ended with the recession that hit the US in 2001. See the figures on GNP in various annual editions of the publication *OECD in Figures*, Paris. It is also important to remember that during the summer of 2002, the US Commerce Department reduced the official figure for the growth of American GDP in 2001 to 0.3%. (See *Globe & Mail*, August 1, 2002 and August 10, 2002.) Also see the discussion in Olsen, page 194. Since the era of globalization began about two decades ago, the rate of economic growth



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for the major capitalist countries has been far lower than it was during the previous several decades. See *The Boom and the Bubble*, by Brenner.

<sup>29</sup> See Ronald Schettkat, “How Bad are Welfare State institutions for Economic Development: The Amazing Vitality of the European Tigers,” in *Challenge*, volume 44, #1, January/February 2001, pages 37-39.

<sup>30</sup> Schettkat, page 40.

<sup>31</sup> See the figures for the period from 1985 to 1995, provided in Casey & Gold, page 1. Despite American criticisms of the inability of the European governments to create jobs during the 1990s, some European countries performed reasonably well. Thus, even in 2000, the year in which the US had its lowest rate of unemployment for decades (4.0%), it was still beaten by a number of neo-corporatist regimes in Europe, like Norway (3.5%), the Netherlands (3.3%), and Austria (3.6%). See *OECD in Figures*, 2002 supplement, Paris, pages 20-21.

<sup>32</sup> See *Development and Crisis of the Welfare State: Parties and Policies in Global Markets*, Evelyne Huber & John D Stephens, University of Chicago press, 2001, page 324-325. During the decade between 1990 and 2000, the size of the labour force in the UK grew by only 1.7% (versus 12.4%) for the US. See the *OECD in Figures*, pages 16-17.

<sup>33</sup> Huber & Stephens, page 324-325. For Canadian evidence see *Falling Behind: The State of Working Canada, 2000*, as cited above.

<sup>34</sup> It is vital to remember that during the 1980s and the early 1990s, the neo-liberal model was widely viewed as being inferior to the German and Japanese models of capitalism. See Gamble’s article “Neo-liberalism.” Also, see Coates, Chapter 1.

<sup>35</sup> The market-dominated model of capitalism was widely discredited during the 1980s, when critics favored the seemingly more dynamic state-led model evident in Japan. See *Models of Capitalism*, Coates, pages 24, 34-39, 42.

<sup>36</sup> In that case the only issue left for the GN would be to choose between two variations on the neo-liberal economic strategy: “One is to cut back on all forms of market ‘interference’...by cutting taxes, labour rights and capital controls. The other is to refocus its energies on improving the quality of the one resource that is not geographically mobile, namely labour.” For proponents of the latter version of the neo-liberal strategy, the goal is to use education and training to create a highly skilled workforce in a country with a very flexible labour market, in the hope of creating the conditions that will attract high-technology-high-wage production. See Coates, page 254

<sup>37</sup> See *The Nunavut Economic Outlook*, pages 11, 38-50.

<sup>38</sup> We refer to the concept of ‘social capital’ out of a recognition that has become widely accepted. Nevertheless, we remain highly skeptical that it constitutes any kind of intellectual advance. For an exploration of the limitations of the concept, see *Social Capital Versus Social Theory: Political Economy and Social Science at the End of the Millenium*, Ben Fine, Routledge, 2001.

<sup>39</sup> See “Social Capital,” by John Tomer, in the *Encyclopedia of Political Economy*, edited by Phillip Anthony O’Hara, Routledge, 1999, page 1050, and *Social Cohesion & Economic Prosperity*, by Jeff Dayton-Johnson, Lorimer, 2001, pages 40-41. As the latter author explains, modern capitalism must have a certain degree of social cooperation outside the market, if the market is to exist at all. In that respect, “the much heralded efficiency and prosperity delivered by the system relies...more on cooperation than it does on competition. In just about every gesture undertaken by producers and consumers in the market economy there is an implicit or explicit act of cooperation” Dayton-Johnson, page 126.

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<sup>40</sup> See Coates page 253, and Olsen, pages 184-186. For more on the issue of convergence and divergence see the following: *The Myth of the Powerless State: Governing the Economy in a Global Era*, Linda Weiss, Polity Press, 1998 arguments. Also see *Partisan Politics in the Global Economy*, Geoffrey Garrett, Cambridge University Press, 1998; *Global Capital, Political Institutions, and Policy Change in Developed Welfare States*, Cambridge University Press, 2002, pages 29-30; *National Diversity and Global Capitalism*, Edited by Suzanne Berger and Ronald Dore, Cornell University Press, 1996. Weiss for the divergence side.

<sup>41</sup> Even among countries with very similar economic structures and strategies – like the US and Canada – there remain sufficient institutional differences to conclude that the homogenizing effect of globalization has been exaggerated. Globalization may “*increase the costs of distinctive policy choices in some areas, but it does not eliminate them. Trade-offs may be more painful than they once were, but they are still there to be made, and domestic social and political factors continue to influence policy responses.*” See McBride, page 28.

<sup>42</sup> See the discussion in *Social Democracy and Welfare Capitalism*, Alexander Hicks, Cornell University press, 1999, page 139. The neo-corporatism being discussed here is closely associated with European social democracy. As such, it should be distinguished from the authoritarian form of corporatism that developed in countries like Italy and Spain between the two World Wars. The former was fascist in character, with an emphasis on the mutual dependence of capital and labour as enforced by the state. By contrast, the latter has its roots in social democratic politics, and emphasizes the value of social planning. Whereas classic corporatism was associated with diminished civil liberties, social democratic neo-corporatism has been more associated with expanded civil liberties and social rights.

<sup>43</sup> See Coates page 64 and “Sectoral Councils and Sectoral Corporatism: Viable? Desirable?,” Michael M Atkinson and Cassandra W Pervin, in *Forging Business-Labour Partnerships: The Emergence of Sector Councils in Canada*, ed. by Morely Gunderson and Andrew Sharpe, University of Toronto Press, 1998, pages 272-273.

<sup>44</sup> See *In the Name of Social Democracy: The Great Transformation, 1945 to the Present*, Gerassimos Moschonas, Verso, 2002, pages 64-65.

<sup>45</sup> Casey & Gold, pages 1-2.

<sup>46</sup> During the past decade, centralized bargaining in many of the neo-corporatist regimes (e.g., Germany, Austria, Sweden, etc.) has been in decline. Wage negotiations are becoming more decentralized, being pushed from the national level to the sectoral level, or from the sectoral level to the industry level. (See Casey & Gold, pages 38-50.) However, the neo-corporatist countries “still retain wage bargaining structures that are a good deal more centralized” than those found in the neo-liberal regimes. Thus, social partnerships have not entirely disintegrated; they have become more sector centered. (See Moschonas, page 188.)

<sup>47</sup> Atkinson & Pervin, page 273.

<sup>48</sup> Atkinson & Pervin page 274.

<sup>49</sup> See “The State and Economic Interests,” Keith Banting in *The State and Economic Interests*, University of Toronto Press, 1986, page 5.

<sup>50</sup> See Hicks, *Social Democracy & Welfare Capitalism*....

<sup>51</sup> What follows is a slightly modified version of the classical definition of neo-corporatism developed by Schmitter. It is quoted in Atkinson & Pervin, pages 272-3.

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<sup>52</sup> Moschonas, page 64.

<sup>53</sup> See Hicks, *Social Democracy & Welfare Capitalism*, page 128. Beyond identifying the general preconditions for neo-corporatist arrangements, it is also possible to discuss the relative strength of those arrangements. For example, some commentators distinguish between strong, intermediate and weak corporatist arrangements. That “gradation refers to the density of organization of critical interest groups and organizations...to the subject matter with which they concern themselves and to the strength of their influence in the policy formulation process.” See Casey & Gold, page 12.

<sup>54</sup> See *Global Capital, Political Institutions, and Policy Change in Developed Welfare States*, Duane Swank, Cambridge University Press, 2002, page 43.

<sup>55</sup> Swank, page 44.

<sup>56</sup> For example, see “From Adversarialism to Social Partnership: Lessons from the Experience of Germany, Japan, Sweden and the United States,” by R. Adams, in *Good Jobs, Bad Jobs, No Jobs*, C.D.Howe Institute, Toronto, 1995, and *In Search of National Economic Success*, K Kenworthy, Sage, California, 1995.

<sup>57</sup> See *Social Partnerships for Training: Canada’s Experiment with Labour Force Development Boards*, edited by Andrew Sharpe and Rodney Haddow, School of Policy Studies, Queen’s University, 1997, page 34.

<sup>58</sup> Casey & Gold, pages 62-67. Also, see Hicks, *Social Democracy & Welfare Capitalism*, for a review of some of the relevant literature on this point (page 221).

<sup>59</sup> See Garrett, page 7, and Hicks, pages 231-233. It is not uncommon for public insurance programs in neo-corporatist regimes to be jointly administered by representatives of workers and employers. See Casey & Gold, pages 62-67.

<sup>60</sup> Casey & Gold, page 24. That policy was strongest in Sweden prior to the 1990s. For details, see Olsen, page 198; Huber & Stephens, pages 127 & 316; and Coates, page 96. Also see “A European Solidaristic Wage Policy?,” Torsten Schulten, *European Journal of Industrial Relations*, volume 8 #2, 2002

<sup>61</sup> Huber & Stephens, pages 101-102, 128 and 184.

<sup>62</sup> Coates, page 96.

<sup>63</sup> Coates, page 97

<sup>64</sup> In the last decade, neo-liberal regimes have also shifted towards the adoption of more active labour market programs. However, neo-liberal regimes have combined them with cuts to social programmes like unemployment benefits.

<sup>65</sup> Huber & Stephens, page 99.

<sup>66</sup> See Garrett, pages 8-9. For example, the higher level of social spending in those countries can make it easier to generate political support for free trade, despite the job losses that can result. See Hicks, page 206.

<sup>67</sup> See Casey & Gold, page 6

<sup>68</sup> Neo-corporatist arrangements are better at promoting economic development because they reduce many of the transaction costs associated with doing business in the market. As one commentator has explained, “in order to carry out a market transaction, it is necessary to discover who it is one wishes to deal with, to inform people that one wishes to deal and on what terms, to conduct negotiations leading to a bargain, to

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*draw up the contract, to undertake the inspection needed to make sure that the terms of the contract are being observed, and so on. These operations are often extremely costly.*” Cited in Casey & Gold, page 4. As a consequence, the extra-market dimensions of society are often more important in determining the costs of a market transaction than the market processes themselves. By completely ignoring the extra-market dimensions of society, the neo-liberal model misses many of the ways in which its ultimate costs can be reduced. Because neo-corporatist arrangements are based on the creation of social consensus and cooperation, they build a higher level of trust throughout society, thereby reducing transactions costs. (This basic insight is closely related to arguments found in the field of institutional economics, which stresses the importance of ongoing relationships, trust, and social consensus. It is also closely related to those economic theories which now stress the importance of ‘social capital’.)

<sup>69</sup> See Garrett, page 9.

<sup>70</sup> Casey & Gold, page 12; also see the book by Alex Callinicos, *The Third Way*, Polity Press, 2001.

<sup>71</sup> Coates, page 74.

<sup>72</sup> Coates, page 73.

<sup>73</sup> Atkinson & Pervin, page 274.

<sup>74</sup> See “Corporatism,” by Phillip Schmitter in *The Oxford Companion to Politics of the World*, second edition, Oxford University Press, 2001, page 176.

<sup>75</sup> See Atkinson & Pervin, pages 272-273. Of course, the actual balance of power and influence between the capital, labour and the state depends on many circumstances (e.g., which political party is in power, the state of the world economy, the history of past confrontation between capital and labour, etc.)

<sup>76</sup> See Hicks, pages 22, 162, 170, 222.

<sup>77</sup> The literature that documents the economic performance of the neo-corporatist regimes prior to the 1990s, includes the following: “The Politics of Growth: Strategic Interaction and Economic Performance in the Advanced Industrial Democracies,” Peter Lange and Geoffrey Garrett, *Journal of Politics*, volume 47, 1985; J Pekkarinen et al (eds.), *Social Corporatism: A Superior Economic System?*, Oxford: Clarendon Press, 1992; M. Crepaz, “Corporatism in Decline? An Empirical Analysis of the Impact of Corporatism on Macroeconomic Performance,” *Comparative Political Studies*, volume 25, 1992; and A. Henley & E Tsakalotos, *Corporatism and Economic Performance: A Comparative Analysis of Market Economies*, Edward Elgar, 1993.

<sup>78</sup> For a review of some of that literature, see Casey & Gold, C&G pages 93, 98-101, or the book by Coates.

<sup>79</sup> Coates, page 104.

<sup>80</sup> Casey & Gold, pages 98-101.

<sup>81</sup> In July 2002, the US Commerce Dept. announced that it had revised its economic data for the two previous years, from 1.2% in 2001 down to 0.3%, and from 4.1% in 2000 to 3.8%. See *Globe & Mail*, August 1, 2002 and August 10, 2002.

<sup>82</sup> For more on the perils currently facing the American economy, see “The Unfinished Recession: A Survey of the World Economy,” in *The Economist*, September 28<sup>th</sup>, 2002.

<sup>83</sup> Hicks, pages 234-235; also see the book by Swank.

<sup>84</sup> Moschonas, page 202.

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<sup>85</sup> See Hicks, page 219; also see the following: “What do cross-country studies teach us about Government Involvement, Prosperity and Economic Growth?” J. Slemrod, in *Brookings Papers on Economic Activity*, volume 2, 1995; A. Alesina and R. Perotti, “The Welfare State and Competitiveness,” *American Economic Review*, volume 87, 1997; and A. Hicks and L Kenworthy, “Cooperative Institutions and Political Economic Performance in Affluent Capitalism,” *American Journal of Sociology*, volume 103, 1998.

<sup>86</sup> For a discussion of some of that research, see Jeff Dayton-Johnson, pages 3-5, 25-32.

<sup>87</sup> Coates, page 104.

<sup>88</sup> Coates, pages 105-106.

<sup>89</sup> Coates page 106.

<sup>90</sup> Coates page 260.

<sup>91</sup> Huber & Stephens, page 7. Other commentators argue that some neo-corporatist arrangements are shifting from the national level to various sub-national levels (e.g., regional or sectoral), or focusing on the implementation of policy rather than the higher profile phase of policy formulation. See “Organized Interests and the State: A Disintegrating Relationship? Evidence from Denmark,” by Jens Blom-Hansen, *European Journal of Political Research*, volume 39, 2001.

<sup>92</sup> Olsen, page 196.

<sup>93</sup> See the book by Swank, pages 5, 280, and 287.

<sup>94</sup> Swank, page 41.

<sup>95</sup> Swank, page 42.

<sup>96</sup> See “The Political Economy of Social Pacts: ‘Competitive Corporatism’ and European Welfare Reform,” in *The New Politics of the Welfare State*, ed. Paul Pierson, Oxford University Press, section 2.3; also see Swank, pages 260-261.

<sup>97</sup> For a list of some of the relevant sources see “The Construction of ‘Democratic’ Corporatism in Italy,” by Lucio Baccaro, *Politics & Society*, volume 30, #2, June 2002, 328, 352-352.

<sup>98</sup> Atkinson & Pervin, page 286.

<sup>99</sup> Swank bk, page 42.

<sup>100</sup> Atkinson & Pervin, page 284.

<sup>101</sup> Atkinson & Pervin, pages 288-289.

<sup>102</sup> Atkinson & Pervin, page 289.

<sup>103</sup> Some of the key sources dealing with these experiments include the following: on Quebec, see “Reforming Labour-Market Policy Governance: The Quebec Experience,” by Rodney Haddow in *Canadian Public Administration* Volume 41 #3, and “Towards a Renewed Concertation in Quebec: La Société québécoise de développement de la main-d’oeuvre,” by Andrew Johnson in *Social Partnerships for Training: Canada’s Experiment with Labour Force Development Boards*, edited by Andrew Sharpe and Rodney Haddow, School of Policy Studies, Queen’s University, 1997; on the experience with Labour Force development Boards, see *Social Partnerships for Training...* op.cit; finally, on the sector councils, see

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*Forging Business-Labour Partnerships: The Emergence of Sectoral Councils in Canada*, edited by Morely Gunderson, and Andrew Sharpe, University of Toronto Press, 1998.

<sup>104</sup> See “Corporatism in Canada,” Leo Panitch, *Studies in Political Economy* #1, Spring 1979. This brief flirtation with introducing a neo-corporatist arrangement coincided with government efforts to study the neo-corporatist experience in countries which seemed to combine high rates of economic growth with low strike rates. Atkinson & Pervin, page 277

<sup>105</sup> See Panitch; also see Sharpe & Haddow, pages 16-21. “*Corporatism places a large premium on stability and the orderly conduct of negotiations. There is nothing orderly, or predictable, about the evolution of Canadian federalism and no reason for the parties to corporatist discussions to believe that agreements will be honored and that governments will sustain their commitment to corporatist forums*”. See Atkinson & Pervin, page 278.

<sup>106</sup> Atkinson & Pervin, page 278.

<sup>107</sup> Atkinson & Pervin, page 277.

<sup>108</sup> See “The Configuration of Sectoral Human Resource Initiatives in Quebec in the 1990s,” Jean Charest, in Gunderson & Sharpe, page 132.

<sup>109</sup> See “Consensus Building in Canada: Case Studies and Prospects,” Pierre Fournier, in *The State and Economic Interests*, ed. Keith Banting, volume 32 of the studies done for the Royal Commission on the Economic Union and development prospects for Canada, University of Toronto Press, 1986, page 308.

<sup>110</sup> See Charest, page 133.

<sup>111</sup> See “Reforming Labour-Market Policy Governance: the Quebec Experience,” Rodney Haddow, in *Canadian Public Administration*, volume 41 #3, 1998, page 356.

<sup>112</sup> Labour critics of that summit process have suggested the net result was a closer relationship between the PQ government and the main business organization, the Conseil du Patronat du Quebec (CPQ), and greater government support for the business goal of building a more competitive private sector, and a more neo-liberal state. See “The Quebec Patronat: From neoliberalism to neoliberalism fleur-de-lise,” Peter Graefe, unpublished paper presented 2002 annual meetings of the Canadian Political Science Association, Toronto, pages 26-31.

<sup>113</sup> See Graefe, pages 7-8.

<sup>114</sup> See Graefe, page 23; also see “Reforming Labour-Market Policy Governance ...,” Haddow.

<sup>115</sup> See the discussion in *Shifting Roles: Active Labour Market Policy in Canada under the Labour Market Development Agreements: A Conference Report*,” Harvey Lazar, Canadian Policy Research Network, 2002, pages 21, 28-30. Also see “Reforming Labour-Market Policy Governance...” Haddow, page 349.

<sup>116</sup> See “Reforming Labour-Market Policy Governance...” Haddow.

<sup>117</sup> See Graefe, pages 2-3.

<sup>118</sup> See “Reforming Labour-Market Policy Governance...,” Haddow, page 351.

<sup>119</sup> See “Reforming Labour-Market Policy Governance...,” Haddow.

<sup>120</sup> See “Reforming Labour-Market Policy Governance...” Haddow, page 363.

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<sup>121</sup> See Sharpe & Haddow. Also see *Report and Proceedings from the CSLS Roundtable on Creating a More Efficient Labour Market*, Centre for the Study of Living Standards, February 26-27, 2001, pages 31-52.

<sup>122</sup> See Sharpe & Haddow, pages 3-4; Also see Haddow, 2000: 38.

<sup>123</sup> In addition to training, active labour market policies deal with occupational standards, mobility assistance programs, career and employment counseling, provision of labour market information, support for youth employment, subsidized employment, public employment services, and measures designed to heighten the employability of the disabled and other segments of society. See Sharpe & Haddow, page 35.

<sup>124</sup> See “How Ottawa Shrivels: Ottawa’s Declining Role in Active Labour Market Policy,” Rodney Haddow, in *How Ottawa Spends, 1998-99*, ed. Leslie Pal, Oxford University Press, 1998, page 104.

<sup>125</sup> See Sharpe & Haddow, pages 5-13. For a detailed examination of the LFDB in Quebec, see “Reforming Labour Market Policy Governance...” Haddow.

<sup>126</sup> See Sharpe & Haddow, page 37-38.

<sup>127</sup> See Sharpe & Haddow, pages 20-21.

<sup>128</sup> See *Paradigm Shift...*, McBride, pages 96-97; also see “How Ottawa Shrivels...” Haddow, pages 105-108.

<sup>129</sup> See “The Political and Institutional Landscape of Canada Labour Market Policy-Making,” in *Federalism, Democracy and Labour Market Policy in Canada*, ed. Tom McIntosh, McGill-Queen’s University press, 2000, page 38.

<sup>130</sup> For some of the details, see Sharpe & Haddow, pages 292-293.

<sup>131</sup> Sharpe & Haddow, page 299.

<sup>132</sup> Sharpe & Haddow, pages 300-303.

<sup>133</sup> Sharpe & Haddow, pages 303-305.

<sup>134</sup> Sharpe & Haddow, pages 313; For an account of what happened in the labour market afterwards see “Checkerboard Federalism? Labour Market Development Policy in Canada,” by Herman Bakvis, in *Canadian Federalism: Performance, Effectiveness, and Legitimacy*, Herman Bakvis and Grace Skogstad (eds.), Oxford, 2002

<sup>135</sup> Gunderson & Sharpe, page 3.

<sup>136</sup> Gunderson & Sharpe, page 8-9 For more on Sector Councils, see “National sector Councils: An Overview of the Canadian Experience,” a document issued by the Canadian Labour and Business Centre, Ottawa, 2002.

<sup>137</sup> Gunderson & Sharpe, page 11.

<sup>138</sup> Atkinson & Pervin, page 271.

<sup>139</sup> Gunderson & Sharpe, page 7.

<sup>140</sup> Gunderson & Sharpe, page 9.

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<sup>141</sup> Those organizations figured prominently in both the December 2001 federal Budget, and the January 2002 innovation agenda announced by HRDC and Industry Canada. For example, see HRDC's publication: *Knowledge Matters: Skills and Learning for Canadians*, Government of Canada, 2002.

<sup>142</sup> Gunderson & Sharpe, pages 317-318, 320.

<sup>143</sup> Atkinson & Pervin, page 271.

<sup>144</sup> Gunderson & Sharpe, pages 317-318.

<sup>145</sup> Atkinson & Pervin, page 279.

<sup>146</sup> Atkinson & Pervin, page 284.

<sup>147</sup> Atkinson & Pervin, page 281.

<sup>148</sup> Atkinson & Pervin, page 280.

<sup>149</sup> Atkinson & Pervin, page 280.

<sup>150</sup> Atkinson & Pervin, pages 273, 276.

<sup>151</sup> See "Reforming Labour-Market Policy Governance..." Haddow, page 364.

<sup>152</sup> While values like competition and individualism had always played some role in traditional Inuit society, it is clear they were subordinate to the values of cooperation and collectivism. See *From Talking Chiefs to a Native Corporate Elite*, Marybelle Mitchell, McGill-Queen's University press, 1996, Chapter 2, and pages 441-443, and 450.

<sup>153</sup> See *Our Common Future*, World Commission on Environment and Development, 1987, page 43.

<sup>154</sup> See "Sustainable Development and Canadian Universities: The Impact of Federal Research Policies on Knowledge Production Towards Ecological Sustainability," Roger Petry, University of Regina, paper presented to the 2002 Learned Societies Conference, Toronto, pages 4-5.

<sup>155</sup> Petry, page 5.

<sup>156</sup> Petry, page 5.

<sup>157</sup> See "The Third Sector, Sustainable Development and Community Empowerment," David Pell, in *Community Economic Development in Canada*, volume one, ed. By David J.A. Douglas, McGraw-Hill Ryerson, Toronto, 1994, page 175. Neo-liberalism attaches the greatest priority to short-term profitability as defined by the market. As a consequence, the long-term costs of depleting our natural resources are most often ignored. Unfortunately, there is little reason to believe the large corporations will soon realize their current levels of profitability are not sustainable if the planet is ruined. Few companies have a horizon of more than the next year or two when considering their profitability. See *Everything for Sale: The Virtues and Limits of Markets*, Robert Kuttner, University of Chicago Press, 1996, pages 4-5.

<sup>158</sup> For some of the reasons why neo-corporatist regimes produce a better environmental performance than that found in neo-liberal regimes, see "Institutions and Environmental performance in Seventeen Western Democracies," Lyle Scruggs, *British Journal of Political Science*, volume 29, 1999, and "Is There Really a Link Between Neo-corporatism and Environmental performance?," Lyle Scruggs, *British Journal of Political Science*, volume 31 #4, page 687.

<sup>159</sup> Kuttner, pages 34-35



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<sup>160</sup> See *Labour Movements, Employers, and the State: Conflict and Cooperation in Britain and Sweden*, James Fulcher, Clarendon Press, Oxford.

<sup>161</sup> There is some precedent for such an initiative in the history of the federal government. See “A Political Economy of Citizen Participation,” by Martin Loney, in *The Canadian State: Political Economy and Political Power*, ed. Leo Panitch, University of Toronto Press, 1977.

<sup>162</sup> One of the major concerns about adopting a neo-corporatist strategy in Nunavut is the organizational and personal costs associated with the creation of neo-corporatist institutions. Participation in those bodies can consume a great deal of time and expertise for business and labour leaders. See Banting, “The State and Economic Interests,” page 8.

<sup>163</sup> In southern Canada, those two segments of the employing class are represented by two different groups: the Canadian Federation of Independent Business, and the Canadian Council of Chief Executives (formerly called the Business Council on National Issues).

<sup>164</sup> For example, see *Social Corporatism: A Superior Economic System?*, J. Pekkarinen et al, Clarendon Press, Oxford, 1992. For a short description of corporatist experiments in Canada see “‘Still in Training?’ Labour Unions and the Restructuring of Canadian Labour Market Policy,” by Todd D Rutherford, *Economic Geography*, 1999, pages 136-138. While the *Nunavut Economic Outlook* report emphasizes the need for greater economic cooperation, it does not suggest the involvement of capital and labour in neo-corporatist institutions. For example, see page 98.