Liberal Progressivism and Public Policy:

A Foundational Analysis of Unemployment Insurance in Canada

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Introduction

Unemployment insurance is currently under governmental review in Canada. The federal government's preliminary statements concerning policy development indicate that retrenchment measures are imminent.¹ This reform initiative is taking place in the context of perplexing economic problems that appear to be immune to common solutions. Economists have generally assumed that employment levels would rise in periods of high economic growth and fall in times of slow or negative growth. Presumably then, the pursuit of economic growth would facilitate stable employment levels. Unemployment insurance (UI) was designed on the basis of a related expectation: that reliance on the system would rise during down-turns in the business cycle and decrease in periods of strong economic growth. There is reason to believe that these assumptions are no longer valid. For instance economists have made the following recognition: "One of the puzzling features of the recent behaviour of the Canadian unemployment rate is its persistence in the presence of a sustained expansion in real national income."² Succinctly, unemployment currently appears to be impervious to the cure of growth. Unemployed persons are, therefore, faced with the prospect of retrenchment of UI just when needs for its income security provisions become acute.

¹Human Resources Minister Lloyd Axworthy calls for a "smaller, better targeted UI program" in his Improving Social Security in Canada, (Ottawa: Human Resources Development Canada, 1994), p. 42
Retrenchment initiatives are generally defended as a matter of necessity in a period of profound economic change. This defence is, arguably, the substance of a general consensus concerning contemporary social security policy in Canada. Lorraine Eden and Maureen Appel Molot indicate the presence of a policy trend that they title *market liberalism* that began in 1982. With regard to social policy *market liberalism*, emphasizes spending restraints. In economic policy *market liberalism* focuses on free trade and global competitiveness. "Though not all-pervasive, these ideas came to dominate policy processes at the federal level in Canada . . ., where proponents continue to claim that market forces must be liberated, by 'downsizing' the state and emasculating social welfare policies so that the state can meet the challenges posed by global economic restructuring." Social security programs are, therefore, subordinate to an overriding concern to pursue economic growth in the global economy. Lightman and Irving explain that the Mulroney administration (1984-1993) held to a presumption that "social development must be a function of economic growth, that social needs could best be met through economic renewal rather than through increasingly redistribute policies." It is clear then, that recent governments have held on to a hope that economic growth will eventually solve the unemployment problem. Presumably the conundrum of growth-

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5The pursuit of growth in this context is related to fiscal conditions of a given country. Business competitiveness in the international market is enhanced by favourable fiscal conditions in their base country. Unfavourable fiscal circumstances like high government debt can lead to increased costs for businesses (e.g. higher interest rates and payroll taxes) and a corresponding drag on global competitiveness. Therefore, fiscal restraint and deficit reduction measures become a significant element of the pursuit of economic growth. This relation will be outlined fully in the final chapter.
impervious unemployment will be solved through concerted efforts to adapt to the imperatives of a global economy. UI retrenchment is considered to be an element of the restructuring that is presumed to facilitate economic growth in the new economy.

There is strong evidence to suggest that the elements necessary for the pursuit of economic growth in the global economy have been reflected in a policy consensus in the 1990s. A sampling of current public policy literature suggests that there is also a broad, though not uniform, opinion that a focus on restructuring (which includes fiscal and globalization concerns) and economic growth is critical and necessary for government policy in Canada. This, again leads to an expectation that UI will be subject to retrenchment initiatives. Thomas Courchene and Arthur Stewart state unequivocally that social policy is faced with "fiscal" and "economic/globalization" challenges. "Essentially, the issue is one of ensuring the manner in which social policy interacts with economic policy and contributes to, not obstructs, economic growth and adjustment."7 Later they state that "the best social policy is a growing economy"8 The themes of economic growth and fiscal restraint are also forwarded by David Crane. He says that "if governments get the fundamentals right - low inflation, healthy public finances, low taxes and less regulation - growth will take care of itself." Furthermore "without stronger growth and better productivity performance we are unlikely to deal with another greater national challenge - restoring our public finances to a healthy state."9 The prominent policy think-tank Institute for Research on Public Policy has also expressed grave economic concerns in its commentary on the current proposals for social security reform. They state the following:

8Courchene and Stewart, p. 151.
Major reform of the social security system is urgently required. It must take into account the need to redress public finances, and must be in line with Ottawa's announced intention to roll back the federal deficit to 3% of GDP by 1996-1997. Otherwise... Canada's jobless rate will remain abnormally high, a growing number of Canadians will be confined to a life of poverty and the country will face a major financial crisis.¹⁰

The assumption here is certainly that economic stability, economic growth, and ultimately the solution to present economic problems is contingent upon gaining control of deficits. Presumably, therefore, social security like UI should be restructured in ways that minimization of cost might be achieved.

Some commentators have stated that the "policy atmosphere of the 1990s is . . . unchallenged."¹¹ This is, as will be shown later, apparent in current UI policy development initiatives. As an aside it is important to acknowledge that the hopes for restructuring and growth are not universally accepted as the solution to the current conundrum of growth-impervious unemployment. But, while it is not entirely accurate to state that the policy atmosphere today is unchallenged, it must be recognized that themes of fiscal restraint and adjustment to globalization as means to facilitate economic growth are prominent in the approach to UI reform. This trend is perplexing on two levels. First, as already noted it will lead to UI retrenchment when unemployment levels are high and income maintenance needs are critical. Secondly, it is apparent that governments expect that economic growth, facilitated by new adjustments, will overcome the problem of growth-impervious unemployment. There has been no real indication as to how new approaches to economic growth will overcome the unemployment dilemma. There is, as I shall try to outline, a subtle, but prominent premise that undergirds present and past approaches to UI policy development that explains the root of this dilemma. Policy makers have assumed that the mastery of economic contingency can be achieved through economic growth. This assumption is deeply foundational. This is evident in the following

¹¹Johnson et.al., p. 3.
scenario: even when contingencies are impervious to the solution of growth, revised growth resolutions are sought. The assumptions of growth and mastery have undergirded UI policy from its very beginning and continue to have a profound impact upon it. These foundations of socio-economic policy in general and UI policy in particular are, as I shall argue in the following chapters, fundamental premises of liberal progressivism. This, leads to the conclusion that the Canadian unemployment insurance system and the perplexing problems facing it, are rooted in liberal progressivism.

I will argue for this conclusion in the chapters that follow. I shall begin in chapter one with an explanation of the linkages between liberalism and progress as manifest in their common commitments to freedom through mastery of contingency. This will include an analysis of the extent of the religious and intellectual impact of liberal progressivism. In the second chapter I will provide a brief history of UI to set the context for a foundational analysis of it. Primarily, I shall focus on the Canadian system but will include a look at its pre-cursor in the British system. In chapter three I shall analyze the significance of the progressive liberal ideals of mastery and growth in the development of UI policy. Again, this will include a survey of the British policy foundations which influenced Canadian policy makers. In the final chapter I will assess the impact of liberal progressivism on UI in Canada. I shall argue that liberal progressivism's assumptions of growth and mastery have led to the subordination of UI to the objectives of broader economic policy. This hierarchy of policy hinders the viability of UI and therefore, imperils its ability to address important human needs. This leads to the conviction that an alternative foundational approach to UI is necessary. Finally, I shall make some initial remarks on the prospects for such a change.
Chapter One:

LIBERALISM AND PROGRESS

Contemporary liberalism is thoroughly imbued with a faith in progress. The linkages between these two prominent ideologies are often subtle but, I will suggest, must be recognized if we are to understand either one. Both liberalism and the modern idea of progress are rooted in a fundamental belief that humans are autonomous agents who can, through reason, construct the world around them. Freedom and reason then, are hallmarks of both liberalism and the faith in progress and, I shall contend, the substantive elements of the relation between them. Both of these principles undergird Adam Smith's assumption that the pursuit of economic abundance facilitates progress. Classical political economy was subject to various re-interpretations and developments but its notion of progress persists today in the faith in economic progress. The historical and ideological context of contemporary progressive liberalism must be ascertained in any analysis of the foundations of the welfare state and its various manifestations. This chapter will examine that background by means of an analysis of the relationship of liberalism and progress in the modern era. This task will be undertaken in three subtopics: freedom, reason, and economics. The final section of this chapter will be comprised of an appraisal of the relationship among these three elements in the technological society.

1It must be stressed however that it is undue to consider liberalism and progress to be synonymous given the prominence of progressive thought in Marxism and other varieties of socialism.
1. Freedom and Modernity

Human liberty is a significant notion in both the modern idea of progress and in liberalism. Liberalism, for instance, has been centred on notions of individual liberty and autonomy throughout its history. George Grant has defined liberalism in this brief but telling phrase: *man's essence is his freedom.*\(^2\) This definition encapsulates the essentials of liberal anthropology: that man is autonomous and, therefore, free to make his own world. John Locke, often considered the father of contemporary liberalism, said that the "freedom of men under government is to have a standing rule to live by, common to everyone of that society, and made by the legislative power erected in it, *a liberty to follow my own will in all things,* where the rule prescribes not; and not to be subject to the inconstant, uncertain, unknown, arbitrary will of another man."\(^3\) People living beyond the state of nature in a civil society, then, are autonomous actors who have together made their political world. Liberty is, of course, an essential part of that political world. Locke's fundamental presumption is that liberty is basic to human welfare.

Another thinker who influenced contemporary liberalism profoundly is John Stuart Mill. He too emphasized the significance of individual liberty: "The only freedom which deserves the name is that of pursuing our own good in our own way... Each is the proper guard of his own health, whether bodily or mental and spiritual."\(^4\) Liberty is not a good for its own sake, according to Mill, but enables the essentials of "self-consciousness, rational reflection and struggle to be free of prejudice and habit..." that are crucial for "a

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communal approach to that form of highest happiness in which knowledge of the truth consists."5 Liberty then, is essential to the human approach to happiness.

The modern idea of progress rests on a foundation of freedom, similar to that expounded by liberal theorists like Locke and Mill. However, the idea of progress must be understood in the context of the Judeo-Christian belief in providence which preceded it and contributed to it in profound ways. Grant explains that the prevailing progressive spirit is related to a previous motif in Western civilization: "its impregnation with the Judaeo-Christian idea that history is the divinely ordained process of man's salvation."6 Under that faith system people believed that each and every activity was significant for their salvation and watched over by the providential eye of God. People were considered subject to the authority of God and the clergy. A substantive and publicly acceptable doctrine of individual liberty was, consequently, absent. In the sixteenth century new emphases on freedom began to develop and led to a transition from the doctrine of providence to the modern idea of progress. George Grant explains that "the mediating term between history as providence and history as progress is the idea of freedom. Conscious of themselves as free, men came to believe that history could be shaped to their own ends."7 The march of freedom began with the Reformation's rejection of medieval theology. The Reformation was a protest against the authority and tradition of the Roman Catholic Church. But, says Grant,

it is more than simply a protest, because it asserts that the principle of freedom must be regulative of any future theory or practice. It is more than negative in that the idea of freedom is the affirmation that the human spirit cannot be limited by any determinations. Indeed it asserts this freedom only within the religious sphere, but once it has been so

6George Grant, Philosophy in the Mass Age, (Toronto: Copp Clark, 1966), pp. 44-45. Hereafter referred to as Grant, PMA...
7Grant, PMA, p. 49. Italicised emphasis mine.
asserted it cannot be confined to that sphere. In the next centuries the idea of man as free is taken into all aspects of life, into the spheres of politics, of art and of science.8

So providence as the meaning of history came to be replaced by a freedom motif, but the belief in the profound significance of each human action in history remained. Belief in God was simply "replaced by an optimistic humanism, by a belief in progress. Time is still oriented to the future, but it is a future which will be dominated by man's activity. The idea of human freedom merges with Judaeo-Christian hope and produces the idea of progress."9 Humanism of this order, with its emphasis on freedom, is also intrinsic to the liberalism of Locke, Mill, and their predecessors.

A great many thinkers of the modern period held a high regard for liberty, to such an extent that it was often considered to be sacred. Robert Nisbet points out that it was thus inevitable that for a great many minds the very purpose, the ultimate objective, of progress would be the steady and evermore encompassing advance of individual freedom in the world. The reality of progress was attested to by the manifest gains in human knowledge and in man's command of the natural world, but such gains were possible only when all possible limits were removed from the individual's freedom to think, work and create. The test of progress was thus the degree of freedom a people or nation possessed.10

This spirit of freedom must, however, be understood in the context of progress. The idea of progress developed concurrently with a number of other principles that are often considered characteristic of modernity - those being: equality, social justice, and popular sovereignty. Despite this developmental concurrence Nisbet argues that the concept of progress is distinct and pivotal in that it becomes the context for these other ideas. Freedom, equality and popular sovereignty - each of these became more than something to be cherished, worked for, and hoped for; set in the context of the idea of progress, each could seem not merely desirable but historically necessary, inevitable of eventual achievement.11

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8Grant, PMA, p. 50.
9Grant, PMA, p. 51.
11Nisbet, p. 171.

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Thus, progress was the frame in which all ideas, movements, and developments in technique occurred in the modern period of Western civilization. Presumably therefore, liberalism developed in this larger context of progress.

The encompassing nature of the modern idea of progress is further revealed when the religious implications of the emphasis on human liberty are considered. J.B. Bury explains that the modern idea of progress is contingent on the human assertion of independence from authority of any kind. Progress, by his assessment, is based on an interpretation of history which regards men as slowly advancing - pedetemtim progradientes - in a definite and desirable direction, and infers that this progress will continue indefinitely. And it implies that as 'The issue of the earth's great business,' a condition of general happiness will ultimately be enjoyed, which will justify the whole process of civilization; for otherwise the direction would not be desirable. There is also a further implication. The process must be the necessary psychical and social nature of man; it must not be at the mercy of any external will; otherwise there would be no guarantee of its continuance and its issue, and the idea of Progress would lapse into the idea of Providence."12

The doctrine of progress that Bury describes here is, like liberalism, predicated on a notion of human independence or autonomy from external influence. This is deemed essential to the integrity of the doctrine itself. Freedom then, is a central article in the modern religion of progress.

Progress is one doctrine in a specific order of ideas that have historically taken "a great part in determining and directing the course of man's conduct..."13 Other doctrines in this class of ideas are providence, fate, and immortality. Such ideas undergird a social order and are not subject to scrutiny but accepted in faith. Bury frankly admits that "belief in [progress] is an act of faith."14 We have already noted Bury's assertion that the distinctiveness of progress lies in the affirmation that it is not subject to the mercy of an external will, but part of the free and social nature of humanity. Bury argues that this

14 Bury, p. 4.
belief in human independence from an external will did not emerge in any significant way until the sixteenth century. Christopher Lasch echoes Bury's sentiments about the distinctive nature of the modern faith in progress. He argues that the distinction between a clearly modern conception of history and the Christian one is "the assertion that the principle of historical change comes from within history and not from on high and that man can achieve a better life 'by the exertion of his own powers' instead of counting on divine grace." Human assertions of independence such as this are indicative of a profound religious transition: faith in God was replaced by a faith in independent human power to achieve betterment.

The religious significance of the shift from Christianity to progress is also discussed by W. Warren Wagar:

What happened in the intellectual history of Europe between the late fifteenth and the early nineteenth centuries . . . was not only a revival of classic taste, or a revolution in science, but the growth of a distinctly modern religion. It was a religion of the mind, which built no churches and inspired no rites or creeds. Yet it ministered to the same needs as Christianity, and for many intellectuals it took the place of Christianity. This new religion was a rational and liberal humanism, a celebration of the dignity of man through the cultivation of reason.... The rational and liberal humanism of the modern era has always been, at its roots, a religion of man, a faith in man and human possibility, which ultimately evolved into a faith in history, or what amounts to the same thing, a faith in progress.

Progress as a distinctive doctrine was developed in an intellectual climate that was receptive to a modern and humanistic philosophy of history. Prior to the sixteenth century the citizens of Christendom had a respect for authority and received forms of knowledge such as ancient philosophy, tradition and revelation. This regard for past wisdom and the lack of individual liberty stood as an impediment to progress. The scientific and philosophical advances of Francis Bacon and Rene Descartes began the process of the

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removal of these impediments to progress. This brings us to the second significant common element in liberalism and the idea of progress: the primacy of reason.

2. The Emancipation of Reason in the New Kingdom of Man

Bury asserts that the doctrine of progress could not emerge when the illusion of the Last Judgment of humans by God persisted. This illusion is of the class of unquestioned received knowledge that impeded the development of a substantive doctrine of progress prior to the sixteenth century. Bury maintains, however, that "it is science, perhaps more than anything else . . . that has helped us to transcend this illusion." 17 The modern idea of progress is integrally related to the emancipation of human reason from assent to divine and human authority. The belief in progress became an indelible part of Western culture only when "western man . . . had acquired a profound confidence in the possibilities of his own rational insight." 18 Nisbet points out that respect for reason, science and knowledge has been so great in Western history "that it was almost inevitable that criteria of human progress would be drawn from these values." 19 Increased knowledge would, presumably, facilitate the betterment of the human condition by reducing the effects of social and natural calamities. Grant describes this profound trust in reason as "the drive to the overcoming of chance." 20 The primacy of reason and the companion belief that knowledge has utility became integral components of progressive thought and formed the foundation of tangible developments (scientific, social, political, economic) in Western civilization. Francis Bacon (1561-1626) was a pioneer in the transition of science and knowledge. His Novum Organum laid the foundations of a novel system of thought. Bacon insisted that true science was characterized by inductive study

17Bury, p. 351.
19Nisbet, p. 4.
20Grant, T&E, p. 33.
of nature through experimentation. More importantly, says Bury, "Francis Bacon sounded the modern note; for him the end of knowledge is utility."21 Throughout the Middle Ages science and thought were generally concerned with "speculative satisfaction" rather than with practical or experiential matters.22 The contemplative character of such thought implied an assent to the notion that progress is subject to the mercy of an external will. Bacon considered concentration on theoretical and speculative thought to be inappropriate because it was of little practical use. Bacon's insistence that science should be useful to humanity "was revolutionary: for it implied that happiness on earth was an end to be pursued for its own sake."23 It also implies a shift from the medieval preoccupation with the divine to a modernist concern for earthly human betterment.

A second impediment to scientific advancement was present in the middle ages: a reverence towards the thinkers of antiquity. People assumed that the former heights of knowledge could not be surpassed. Bacon gave obligatory assent to the contemplative wisdom of the ancients but made it "one of his principal endeavors to shake off the yoke of their authority, which he recognized to be a fatal obstacle to the advancement of science. 'Truth is not to be sought in the good fortune of any particular conjunction of time;' its attainment depends on experience, and how limited theirs was."24 Science and thought should be primarily concerned with the maximization human comfort and happiness. In other words, science should have a primary role in society. Science not concerned with the immediacies of human good was shackled by idols of thought, which were essentially "erroneous types of thinking" inherited from conventional and contemplative approaches to knowledge.25 For that reason Bacon encouraged skepticism of received wisdom until it could be subjected to experimental observation. Bacon's

21Bury, p. 51
22Bury, p. 52.
23Bury, p. 59.
24Bury, p. 53.
25Nisbet, p. 114.
inductive approach was a revolutionary theory of knowledge "for it implied that happiness on earth was an end to be pursued for its own sake, and to be secured by co-operation for mankind at large. This idea is an axiom which any general doctrine of Progress must presuppose."26 The implication of this is that the contemplative life and a belief in divine direction of the affairs of humans is uncongenial to a viable doctrine of progress.

Bacon's principles of the utility of knowledge are an emphatic assertion of the necessity of free rational inquiry. The novelty and importance of the utility principle is further understood when one considers its effects on subsequent science and thought. Knowledge henceforth was considered important only when it contributed to human welfare. The idea of utility of knowledge became central during the Enlightenment. Scientific, technical and economic knowledge came to be considered essential components of human welfare and progress in that era. Enlightenment thinkers, with their belief in the utility of knowledge, advocated "concrete revisions in the existing social and political order" in the firm belief that this would contribute to the betterment of the human condition.27 This linkage of reason and social renewal in the Enlightenment has, according to Goudzwaard, "played an important preparatory role with respect to all subsequent revolutions in western society."28 We can conclude, therefore, that the utility of knowledge, as an element of the belief in progress, has been a crucial principle in social and political transition in Western civilization.

On the whole, Bacon's efforts began the process of sweeping away two significant impediments to a substantive doctrine of progress: first, the belief that thought is subject to the authority of the ancients, the church and the divine; and second, a lack of recognition of the utility of knowledge. Bury identifies a third impediment to the modern idea of progress: the failure to recognize the invariability of the laws of nature which led

26Bury, p. 59.
27Goudzwaard, p. 50.
28Goudzwaard, p. 51.
to the tenuousness of scientific knowledge.29 With his emphasis on the invariability of
the laws of nature, Rene Descartes was able to establish the foundations of modern
science. This cleared the way for the development of a doctrine of progress wholly
different from the traditional belief in providence.

Descartes held to radical individualist skepticism, believing that the only truth
worthy of the name was that which was ascertained by the individual. In other words,
proclaimed or received truth is meaningless unless the individual is able to discover such
truth through reason. He believed that the ability to ascertain truth was available to every
person and "that one need no longer pay homage to scholars and scientists and archives
and libraries. The only truth that counts, the only real truth, is that which any normal
individual, educated or not, can reach by himself" without the tutelage of ancient
intellectuals, clergy, or tradition.30 Descartes' principles of the supremacy of reason and
invariability of the laws of nature "struck directly at the foundations of orthodoxy."31
Thus, he furthered the preparations for the idea of progress to replace the belief in
providence. He called for a radical break with the past so that science and knowledge
could proceed to truth. Science emancipated from its traditional shackles would "elevate
our nature to the highest degrees of Perfection."32 Bury claims that it was this
emancipation of the human mind that allowed a doctrine of progress, in its true sense, to
emerge. Descartes' ideas about the supremacy of reason undergird the entire tradition of
modern philosophy and are the foundation of the pursuit of knowledge that is directed

29Bury does not provide a thorough explanation of what he means by the invariability of
natural laws. Thus, interpretation is neccessary. His previous explanation of the
preconditions of progress - that it should be free from the mercy of an external will -
suggests that the invariability of natural laws is, in fact, the absence of divine interference
in the world. The belief in invariable natural laws, as Bury might explain it, is then
companion to a disbelief in miracles.
30Nisbet, p. 116.
31Bury, p. 72.
32Bury, p. 67.
towards mastery of nature (human and non-human) and all its contingencies. It is this pursuit of knowledge that is a fundamental motivator of progress.

Not surprisingly, liberals have adopted a conception of the supremacy of reason which is vital to the modern doctrine of progress. Locke considers reason to be a means for people to have dominion over their environment. He puts it this way: "God who hath given the world to men in common, hath also given them reason to make use of it to the best advantage of life and convenience."\footnote{Locke, p. 18, V. 25. Italicised emphasis mine.} John Stuart Mill too affirmed the principles of the supremacy of reason. Maurice Cowling says that for Mill "the history of thought is ... the 'central chain' of human progress: 'every considerable advance in material civilization has been preceded by an advance in knowledge ... and any ... great social change ... has had for ... precursor a great change in the opinions and modes of thinking of society.'\footnote{Maurice Cowling, \textit{Mill and Liberalism}, (Cambridge: At the University Press, 1963), pp. 65-66. Cited from Mill's \textit{System of Logic}.} Both Locke's and Mill's affirmation of the importance of reason are certainly reminiscent of the principles of the utility of knowledge that were advocated by Bacon and Descartes. It is clear then that prominent liberals accepted the fundamental premises of the modern doctrine of progress

\textbf{2.1 George Grant on Reason, Freedom and Progress.}

The Canadian political philosopher George Grant (1918-1988), devoted much of his time to exploring the significance of progress, technology, and liberalism for Western civilization in general, and North America in particular. His analysis vividly explicates the march of progress and liberalism to their dominant positions in Western civilization. It also serves to demonstrate the contemporary significance of the linkages between these two modern ideologies.
George Grant echoes Jacques Ellul in describing the West as the *technological society*. The development of that society and its religious foundation was dependent on the presence of a certain degree of human freedom. In *Philosophy in the Mass Age* Grant explains that the difference between modernity and past states of affairs is the development of a new understanding of what it means to be human: "We no longer consider ourselves as part of a natural order and as subordinate to a divine law. We see ourselves rather as the makers of history, the makers of our own laws." Essential, people in the technological society have adopted a liberal and progressive creed by declaring themselves autonomous.

This humanistic and progressivist spirit is a new dogma that has replaced the once dominant Judeo-Christian religion. Like many religions, this *religion of progress* has a totalising scope: any belief in a power beyond came to be understood as an affront to human independence and detrimental to the building of the new *Kingdom of Man*. Belief in God was seen as a denial of the fundamental premise of freedom: that man is able to shape his world "ever more to the goals of his own choice." The post-Reformation development of a belief in human autonomy is, according to Grant, a precursor to the more fundamental shifts in dogma that began with the Scientific Revolution and came to full fruition in the Enlightenment.

The freedom motif that Grant explicates became central in the Enlightenment. For instance, Immanuel Kant proposed a challenge to men: *Sapere aude* - meaning "dare to know." The person who heeded this challenge would emerge "from his self-imposed tutelage," and break the shackles of ignorance, superstition and tradition. Kant believed that rational enlightenment would emancipate people so that they might use their intelligence freely and, consequently, come of age - to enlightenment. Linked to this is a

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35Grant *PMA*, p. 42.  
36Grant, *PMA*, p. 53.  
37As cited by Goudzwaard, p. 36.
faith-assumption that people are free and not subject to the authorities of God, church and tradition. However, this is not to say that all authority is swept away. Grant explains Kant's new form of authority:

Across the darkness of that agnosticism there is thrown . . . the beacon light of our knowledge of what is required of us concerning justice. That requirement is presented to all human beings from the earliest days of their reasoning, in the categorical commands of our reason itself. According to Kant, we are not in darkness concerning the one thing needful for us all. Because there is that beacon (the one fact of reason), Kant's purpose is not to criticize metaphysics as such, but out of his criticism of the traditional metaphysics to lay the foundations of the new one.38

The anti-traditionalism of Enlightenment rationalism developed into a comprehensive belief that freedom and progress were the laws of historical development. Consequently, the traditionally perceived differences between technical and moral progress became obscured. Science and reason were confirmed as the new path for the salvation - or betterment - of humanity.

Grant explains that the enlightenment spirit of freedom and progress characterizes contemporary North American civilization.

The U.S. is the only society which has no history (truly its own) from before the age of progress. English-speaking Canadians, such as myself, have despised and feared the Americans for the account of freedom in which their independence was expressed, and have resented that other traditions of the English-speaking world should have collapsed before the victory of that spirit; but we are still enfolded with the Americans in the deep sharing of having crossed the ocean and conquered the new land. All of us who came made some break in that coming. The break was not only the giving up of the old and the settled, but the entering into the majestic continent which could not be ours in the way that the old had been.39

North America, according to Grant, is a technological society characterized by the dominance of "the religion of progress. This is the belief that the conquest of human and non-human nature will give existence meaning."40 The freedom that emanates from the mastery of chance through reason and technology is understood to be the highest good in

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38 George Grant, English-Speaking Justice, (Toronto: Anansi, 1985), p. 31. Hereafter referred to as Grant ESJ...
39 Grant, T&E, p. 17.
40 Grant, T&E, p. 77
this civilization. He explains that all striving in the technological society, regardless of political stripe or religious creed, is focused on a utopia in which freedom, equality and individuality are paramount. This moral striving is "inextricably linked to the pursuit of those sciences which issue in the mastery of human and non human nature" and are characterized by "the drive to the overcoming of chance."41 Hence, the mastery of chance is considered essential to freedom.

The emphasis on freedom in the religion of progress sheds light on the intimate relationship between technological society and political liberalism. In his English-Speaking Justice Grant provides a lucid analysis of this relationship. The close affiliation of liberalism and technology rests in a shared account of reason. "Indeed," says Grant, "that close interdependence appears most obviously in the way that some convinced modern liberals put forth their creed as if it were a product of modern science itself."42 With such a rational stamp of approval, liberalism has ascended to be the dominant mode of moral discourse in the North American technological society. Consequently, Grant is able to identify a "unity between progress in liberty and technology."43 Essentially, human

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41 Grant T&E, p. 33.
42 Grant, ESJ, p. 3.
43 Grant, ESJ, p. 48. It is critical to note that this unity is not necessarily permanent. Grant states unequivocally that "there are signs that modern liberalism and technology, although they have been interdependent, may not necessarily be mutually sustaining."(ESJ, p.6) This divergence is manifested through two specific developments in technological society. First technological science becomes "increasingly directed towards the mastery of human beings."(ESJ, p.9) Secondly, technology necessitates a high degree of specialization in vocation which hinders individual spontaneity. Liberalism was originally predicated on a belief that human choices should be maximised. Mastery of human beings through modern social science technique has a homogenising effect that is hostile to variety. Moreover, specialisation has led to a firm separation between the public and private realm. "The widespread concentration of most North Americans on private life, and their acceptance of the public realm as something external to them, takes us far away from the original liberal picture of autonomous and equal human beings participating in the government and production of their society." (ESJ, p. 11) The liberalism of North America is so thoroughly committed to the religion of progress that it is unable to recognise such affronts to its original premises. Grant laments such blindness with these
freedom is facilitated and advanced by means of the mastery of chance. According to Grant this unity has been apparent in the English speaking world, and particularly in North America.

All the preceding has suggested that liberty and reason are significant elements of modernity as expressed in liberalism and progress. It is important to realize that the developments in each of these principles must be understood in the context of the other. Freedom and reason built on one another and contributed to the contemporary technological society. There remains however one significant manifestation of liberalism and progress to consider. Any consideration of progress and liberalism must include a survey of economic thought, given the fact that economic advances are considered primary indications of progress. Economic thought is not at all isolated from the drive to mastery. It too is part of the technological society - the liberal utopia - in which "Man has at last come of age in the evolutionary process, has taken his fate into his own hands and is freeing himself for happiness against the old necessities of hunger and disease and overwork."44 I will suggest that the pursuit of economic progress, which has been the preoccupation of liberal economics, is a manifestation of the drive to the mastery of chance.

3. Progress and Liberal Economics

The linkages between progress and liberalism in the modern era have been most vivid in the realm of economics. Liberal economists exalted liberty in the name of free enterprise and encouraged the development of an entrepreneurial spirit through their belief that the pursuit of abundance would improve the human condition. The ideas of the liberal economists undergird the contemporary expression of the progress idiom - the words: "as moderns we have no standards by which to judge particular techniques, except standards welling up with our faith in technical expansion."(T&E, p. 34.)

44Grant, T&E, p. 28.
belief in economic progress. Essentially, liberal economics has come to be regarded as the science most apt to the task of overcoming chance. To put it another way, liberal economics is predicated on the notion of the utility of knowledge and is, therefore, primarily concerned with human betterment. Economics as a mastering science has turned from its laissez-faire origins to the interventionist beliefs of the new liberals. Their influence has led to the prominence of the belief that governmental intervention in economies is necessary for progress. The history of liberal economic thought, from Turgot to Keynes, illuminates the most significant manifestation of the of the modern faith in progress.

3.1 Early Liberal Economics.

Adam Smith is generally considered to be the father of liberal economics. However, it is important to recognize that Smith's economic principles were preceded by others. Indeed, the work of Turgot, Baron de l'Aulne (1727-1781) and the Physiocrats like Mercier de la Riviere were significant anticipations of Smith's work.

Turgot was Controller-General of France under Louis XVI. Prior to his work as an economist and bureaucrat, he was engaged in an effort to document a philosophy of progress. In 1751 he wrote an outline of a discourse on *Universal History* in which he describes three stages in human development, each of which is characterized by progressions in human freedom. Turgot claimed that throughout the development of human society - from primitive society to agricultural society and finally to commercial urban society - human freedom and creativity increased. For him the achievement of new freedom in each epoch was "the greatest goal of human progress." Turgot did not continue in direct studies of the idea of progress but turned his attention to economics.

In his seminal work on economics (*Reflections on the Formation and Distribution*
Turgot insists that viable and progressive economic systems should be "based upon individual freedom, upon autonomy from government decree and caprice, upon, above all else, free, private enterprise." 46 His fundamental premise of liberty is reminiscent of those in liberalism and progress. Nisbet asserts that the Reflections... should be

properly seen as a detailed presentation of the very form of economic liberty that was for Turgot the essence of human progress. We may well consider Turgot as the very first of philosophers and advocates of economic growth in the modern world. Both in the "Universal History" and in the Reflections he emphasizes strongly the dependence of all forms of progress in the arts, sciences and elsewhere upon economic growth and 'economic surplus.' As a young man ... Turgot had designated the arts and sciences as true measures of progress. By the time of his Reflections he had come to realize fully the relation of intellectual to economic progress, and the dependence of each upon individual liberty.47

Turgot's biographer, Condorcet, (often considered a key proponent of the progress idiom around the time of the French Revolution) echoed Turgot's ideas in his assertion that "the human species can be improved, firstly by new discoveries in the arts and sciences and, consequently, in the means of well-being and common prosperity."48 Technological innovation and growth in prosperity become, for Turgot, Condorcet and a host of thinkers after them, principal elements of human welfare and progress.

The Physiocrats formed as a school of thought around 1760 in France. Their name is indicative of their belief that a natural order should be supreme. They assumed that the supremacy of natural order is only possible when government interference in society and economics is kept to a bare minimum. One of the chief spokespersons of the Physiocrats was Mercier de la Riviere. He anticipated Adam Smith's fervour for the pursuit of abundance in his assertion that "the greatest happiness possible for us consists in the greatest possible abundance of objects suitable to our enjoyment and in the greatest

46Nisbet, p. 184.
47Nisbet, p. 186.
48As cited in Goudzwaard, p. 58.
liberty to profit by them." Consequently, the sole concern of government, according to Mercier and the Physiocrats, should be to protect private property and enhance individual freedom. Private enterprise could then, pursue abundance unfettered. Bury explains that the Physiocrats believed that progress was only possible "through the increase of opulence which would itself depend on the growth of justice and 'liberty.'" These beliefs in the importance of free enterprise and the contingency of progress on abundance were forcefully echoed by Adam Smith.

3.2 Adam Smith: Prophet of Progress through Self-Interest and Opulence.

Adam Smith is included in the ranks of liberals because of his emphasis on the importance and function of liberty to pursue self-interest. In *The Wealth of Nations* he states that "it is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard for their own interest. We address ourselves, not to their humanity but to their self-love, and never talk to them of our own necessities but of their advantages." The satisfaction of human needs and the division of labour are inextricably linked to the free operation of self-interest in the market place. Smith's celebrated precept of *laissez-faire*, or natural liberty, is a call for governments to avoid interference with self-interest so that the spontaneous arrangements for people to get their dinner and other essentials are not hindered in any way.

According to Smith, *laissez-faire* is not significant for its own sake. Natural liberty in the market place is essential for the natural progress of opulence and, consequently, for the betterment of conditions for humankind. Nisbet explains: "The mainspring of human progress for Adam Smith . . . is 'the natural effort of every individual to better his own condition.' When this natural effort is allowed to exert itself with

49 As cited in Bury, p. 173.
50 Bury, p. 175.
'freedom and security,' it is capable 'alone, and without any assistance' of 'carrying on the society to wealth and prosperity.'\(^{52}\) Government intervention in an economy would only serve to destabilize the naturally balanced operation of free enterprise, thereby impeding the growth and pursuit of prosperity. Thus for Smith, individual freedom from government interference is a crucial element of progress.

Moreover, Christopher Lasch argues that the modern doctrine of progress is primarily derived from Smith's exaltations of the self-interested pursuit of opulence. Other commentators, as already discussed, hold that the doctrine of progress was dependent on assertions of human freedom. Lasch argues that the more important development resulted from Smith's theoretical exaltation of the pursuit of abundance. Prior to Smith individual pursuit of wealth was considered to be indicative of greed and decadence which were feared as precursors to social collapse. Thus, thrift and self-denial were considered virtuous and unbridled economic expansion was not pursued. Consequently, societies were subject to a perpetual economic cycle of growth and decay. Genuine progress cannot be subject to such an ebb and flow but should move forward continually. For Smith "it was the self-generating character of rising expectations, newly acquired needs and tastes, new standards of personal comfort, - the very changes deplored by republican critics of commerce - that broke the old cycle of social growth and decay and gave rise to a form of society capable of indefinite expansion."\(^{53}\) A social order built on the premise of continual expansion is, according to Lasch, a truly progressive one. Smith's glorification of wealth creation and the pursuit of abundance meant that a viable social order "no longer had to rest on divine intervention or the perfectibility of reason. It now rested more securely, if unexpectedly and ironically, on ordinary ambition, vanity, greed, and a

\(^{52}\)Nisbet, p. 191.
\(^{53}\)Lasch, p. 52. Italicised emphasis mine.
morally misplaced respect, as Smith put it, for the 'vain and empty distinctions of
greatness.'

The advances that Adam Smith brought about in political economy were certainly
significant in themselves. Lasch emphatically insists however that Smith's work is the
most significant contribution to the modern idea of progress. He puts it bluntly:

Because the new science of political economy appeared to deliver the modern world from
the 'doom of threatened societies', . . . it is to Adam Smith and his immediate predecessors,
rather than to those second-rate thinkers more conventionally associated with the idea of
progress - Fontenelle, Condorcet, Godwin, Comte, Spencer - that we should look for the
inner meaning of progressive ideology.

Smith's discovery of the importance of self-interested pursuit of wealth led to the
prioritization of a distinctively progressive motif - that of the pursuit of human welfare
through abundance. The shackles of regard for the divine, the quest to perfect reason, and
assent to socially stagnating virtues of restraint and self-denial would no longer impede
the doctrine of progress because of Smith. Essentially Smith's work enabled the true
distinctiveness of the modern idea of progress to fully emerge: "the exemption of the
modern world from the judgment of time." Smith's stress on self-interest meant that
people need not consider the past as a normative judge for their actions or feel an
obligation to future generations. Wealth should be pursued purely out of regard for one's
own interest. The cumulative effect of such a pursuit is economic progress. Progress of
this order would be self-perpetuating because of the combined forces of self-interest and
rising expectations.

To state the obvious, Smith's work emphasizes the material or economic
dimension of the modern idea of progress. In fact, Nisbet says that Smith's Wealth of
Nations "falls under what today we term 'economic growth.'" It can be plausibly argued

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54Lasch, p. 55.
55Lasch, p. 54.
56Lasch, p. 55.
57Nisbet, p. 189.
that the trust in economic growth, or material progress, has been the primary manifestation of the idea of progress.\textsuperscript{58} For instance, Lasch notes that "it was belief in economic progress and the indispensability of this form of progress to all others that was perhaps the most spectacular manifestation of the philosophy of progress prior to the Great Depression of the 1930s."\textsuperscript{59} Smith's ideas have certainly been adapted but his faith in progress through material abundance persists even today. The principles of laissez-faire were surpassed by the new liberals. However, Smith's progressive legacy persisted in their continued commitment to economic progress as an essential element of human welfare.

\section*{3.3 The Development of Progressive Intervention}

The transition from Smith's laissez-faire ideas to a more interventionist paradigm of government involvement in society and economics is best seen in attitudes about economic growth. Adam Smith looked forward to "the progress of England towards opulence and improvement... in all future times" but did not develop a detailed theory of economic growth because he believed that it would inevitably and continually result from rational self-interested pursuit of wealth.\textsuperscript{60} Thomas Malthus' theories concerning population growth and demographic transition cast doubt on Smith's unargued assumptions about the perpetuity of economic growth. Malthus believed that population growth would surpass economic growth, meaning that food shortages and concomitant economic shortfalls would result. David Ricardo rejected Malthus' pessimism and began to perfect a theory of economic growth. Malthus, he asserted, was right to be aware of the relationship of economics and population growth. However, Ricardo asserted that Malthus failed to recognize that technical progress could facilitate expansion of economic

\textsuperscript{58}I will use the terms economic progress and economic growth interchangeably.
\textsuperscript{59}Lasch, p. 299.
\textsuperscript{60}Smith, p. 329.
and food production capacity. Ricardo believed that stagnation could be avoided "by wise policy ... into the almost indefinite future ... by developing foreign trade, by the exploitation of the almost limitless resources of the extra-European world' and, presumably, by technical progress."61 We see here an explicit recognition that progress by means of abundance is contingent on technological expansion.

John Stuart Mill accepted Ricardo's belief that continuous economic growth was contingent on technical progress and the development of new resource sources. He did not, however, believe that economic growth should be pursued for its own sake. He was much more enamoured with the intellectual progress of humanity. He did, however, "concede that, until 'the better minds succeed in educating the others into better things,' it is more desirable that the energies of mankind be employed in the struggle for riches than that they should rust and stagnate. 'While minds are coarse they require coarse stimuli; and let them have them.'"62 So economic growth for Mill was not a priority but a convenient means to prepare the human mind for the improvements that he longed for in On Liberty. This rather weak affirmation of the utility of the pursuit of economic growth distinguishes Mill from the earlier classical economists. Mill agreed with the classical economists that economic liberty should have the status of natural law in the process of production. "But Mill also used the ... argument that welfare can be increased by distributional reforms. In the field of production free competition must remain law. Social evils are not the result of deficiencies in the process of production and exchange. They are entirely due to faulty distribution."63 Thus, intervention is entirely suitable to distributive matters. Mill's ideas here anticipate later developments in liberalism in which social reform through government intervention was considered a key element of social progress.

62Arndt, p. 12.

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In the years after Mill's death (1873) until the inter-war years, economic growth was given very little consideration. In the second decade of the present century, John Maynard Keynes reinvigorated the faith in economic growth through his prolific and revolutionary advances in the field of economics. Keynes' theoretical advancements, augmented by the stunning material advancements in the United States in the inter-war years made economic growth a central policy pursuit and the principal manifestation of the idea of progress in the post-war years.

Keynes' work has been described as the definitive expression of liberal collectivism. This new strain of liberalism is distinctive because it recommends large slabs of collectivism in the interests of preserving as much as possible of capitalist individualism. The liberal collectivists accepted the traditional philosophical justification of capitalism as a political and economic system whose virtue is that it leaves a man free to do what he wills with his own. At the same time, the liberal collectivists accepted that the consequences of this freedom on the market were entirely unacceptable and these consequences would have to be curbed by state intervention in some respects if capitalist freedoms were to survive more generally. 64

Keynes' liberal collectivism is evident in the fact that he believed that capitalism needed adjustments in order to address the intermittent difficulties that occur. Keynes' collectivism is characterized by a belief that capitalism's problems are not fundamental.

For instance, in his 1926 essay entitled The End of Laissez-Faire Keynes says,

I think that capitalism, wisely managed, can probably be made more efficient for attaining economic ends than any alternative system yet in sight, but that in itself is in many ways extremely objectionable. Our problem is to work out a social organization which shall be as efficient as possible without offending our notions of a satisfactory way of life.65

Thus Keynes is able to maintain a classicist commitment to economic progress while arguing for government intervention in the economy in order to address some of the failings of capitalism. Keynes suggests that the principles of laissez-faire were appropriate

to an age in which rapid economic expansion was necessary for human progress. Rapid expansion lead to a vigorous economic system and an entirely new economic era. Transition to a new economic epoch demands the invention of a "new wisdom for a new age." Keynes insists that this new wisdom should permit manipulation of economic forces "so that they do not intolerably interfere with contemporary ideas as to what is fit and proper in the interests of social stability and social justice." Government intervention in economies becomes a new requirement of progress and human welfare in the work of Keynes.

Keynes' interest in the idea of progress and economic growth is most vivid in his essay entitled *Economic Prospects for Our Grandchildren* (1930). In that work he outlines his interpretation of the history of progress with a view to combating the pessimism that prevailed due to the looming economic depression. He asserts that depression is simply a "temporary phase of maladjustment." Pessimism is, therefore, entirely unnecessary because slight adjustments will correct problems. Prior to the eighteenth century progress was impeded by "the remarkable absence of important technical improvements and [by the] failure of capital to accumulate." As we have seen previously in this chapter, the advances begun in the Scientific Revolution and intensified in the eighteenth and nineteenth centuries led to incredible progress in human society. The sheer magnitude and speed of progressive change was, according to Keynes, bound to result in a number of temporary problems such as depressions. To explain a significant element of economic depression Keynes coined the phrase *technological unemployment.* "This means unemployment due to our discovery of means of economizing the use of

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67Ibid.
69Ibid, p. 323.
labour outrunning the pace at which we can find new uses for labour.” Keynes maintains that problems of this order are only temporary because they can be resolved through knowledge. To this end Keynes says: “I would predict that the standard of life in progressive countries one hundred years hence will be between four and eight times as high as it is today. There would be nothing surprising in this even in the light of our present knowledge. It would not be foolish to contemplate the possibility of a far greater progress still.” Keynes repeats Smith's confidence that peoples expectations (economic) can justly rise continually.

To recall Grant's analysis of progress: Keynes' progressive economic theory here appears to be predicated on the notion that chance (economic contingency) can be mastered through reason. Economic thought then has an obvious utility in Keynes; to contribute to human betterment by providing solutions to the temporary deficiencies of capitalism. For Keynes economics appears to be the most important element in the mastery of chance which is constitutive of human progress. The task of removing the contingencies implicit in traditional capitalism was the solemn task of a new liberalism according to Keynes. He puts it this way: "The transition from economic anarchy (the contingencies of depression etc.) to a regime which aims at controlling and directing economic forces in the interests of social justice and social stability, will present enormous difficulties both technical and political. I suggest, nevertheless, that the true destiny of New Liberalism is to seek their solution.” The new wisdom of this new liberalism is essentially a pursuit of progress by means of achieving mastery over economic contingency. Economic mastery of this order is a constitutive element of contemporary

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70 Ibid., p. 325.
71 Ibid., pp. 325-326. There is of course, an interesting irony here: technological advance has created the economic conundrum known as technological unemployment. Yet Keynes expects similar technical advances to solve the economic problem entirely. We will see the significance of this irony in later chapters.
72 Keynes, "Am I a Liberal?" p. 305.
liberal progressivism and is a foundational tenet of the welfare state (this will be argued in forthcoming chapters).

The belief in progressive economic intervention was held by a number of other thinkers. Thinkers like Hobson and Hobhouse recognized, just as Keynes had, the tenuous state of a liberalism committed to traditional notions of laissez-faire and, therefore, attempted to adapt it to their contemporary circumstances. In fact, their new liberalism reversed the principle of *laissez-faire* by making "political intervention the very core of economic and social progress."\(^7^3\)

L.T. Hobhouse and others, began an effort to address the social problem (poverty, unemployment, etc.) from a liberal perspective. This implied that liberal individualism is not necessarily tied to the principles of *laissez-faire*. "The spirit of progress, asserted Hobhouse, was impelled by the pressure of events to attack existing social institutions and to ensure, by changing the conditions of social life, development towards the objective of collective rather than individual humanity."\(^7^4\) Government intervention in the economy was therefore considered to be a viable tool for addressing the social question. Nevertheless, the conventional liberal commitment to reason and mastery remained. Michael Freeden explains:

> For the new liberals, social reform ceased to be solely a question of removing hindrances, of adjusting social evils, of redressing wrongs; in sum, of occasional intervention to restore nature's balance. The operation of mind was regarded as continuous and dynamic. It was an endless quest, dictated by the ethicality, and rationality of man, aimed at controlling his physical and human environment. This apparently would bring humanity to what Hobhouse called 'an ever wider and closer solidarity and that civilization progressed towards the displacement of disorganization and instinct by organization and reason. In its new dimension social reform was equated with social progress.'\(^7^5\)

With Hobhouse, Hobson believed "that liberalism itself had begun and must be made to continue a progressive development, one in which the natural process of progress would

\(^{7^3}\)Lasch, p. 300.


\(^{7^5}\)Freeden, pp. 92-93.
be heightened and accelerated through enlightened political legislation."76 So, if liberalism was to remain a progressive doctrine it was compelled to surpass the principle of laissez-faire and undertake measures to intervene in economic and social systems where appropriate. Social solidarity became a new priority for these new liberals. Wagar explains that they affirmed "the paramount importance of human freedom and the need to promote social solidarity in the modern nation state as the foremost condition of future progress."77 Keynes, Hobhouse, and Hobson are typical examples of these new liberals who insist that human betterment is dependent upon social solidarity and government intervention in society and economy.

The traditional priorities of liberalism do remain intact despite the interventionist tendencies of the new liberals like Hobson, Hobhouse and Keynes. Freedom, at least in some form, remains paramount. To cite one example; Keynes continued to affirm "that progress lies in the growth and recognition of semi-autonomous bodies within the state."78 He explains that governments should not be in the business of intruding on individual autonomy but should only pursue solutions to problems that individuals are unable to solve. We have already noted that Keynes believed that the speed of and magnitude of progress procured the conundrums that compel governments to act in the interests of social justice, social order, and human welfare.

A prominent progressive liberal motif is certainly apparent in the history of economics from Smith to Keynes. Smith exalted the self-interested pursuit of opulence. Ricardo refined the theory of economic progress by recognizing its connections to technical progress. Mill was the first to recognize that human happiness might be contingent on minimal government intervention in the economy. Keynes and the new

76Lasch, p. 301.
77Wagar, p. 115.
liberals systematized the belief that social and economic progress depend on government intervention in economies. These fundamental progressive assumptions must be understood as the intellectual background of the formation of contemporary welfare state policies like unemployment insurance. The following chapters will uncover this further.

4. Summary: *Freedom, Reason and Economics: The Consensus of Liberal Progressivism*

   Liberalism and the idea of progress are unified by a belief that human betterment is contingent on a prevailing spirit of human autonomy. This spirit of autonomy began developing in the Reformation and the Scientific Revolution. The attitude of absolute human freedom led to the advances in the sciences that were heralded by thinkers like Francis Bacon. Science and knowledge came to be considered essential elements for the progress of human society. This was expressed most vividly in Bacon's assertion that the end of all knowledge is utility. George Grant explains that this rational humanism developed into a religion of mastery. This new religion is characterized by a belief that free and rational inquiry will facilitate the mastery of contingencies in the human and non-human worlds. Essentially, knowledge and technology became the new means to humanity's salvation. Grant indicates that the freedom that was essential for the development of this technological society was, in many respects, linked to the development of political liberalism. This gives reason to believe that liberalism and progress share a commitment to human liberty and the primacy of reason. One of the more vivid manifestations of the modern faith in progress is found in liberal economics. Thinkers as diverse as Adam Smith and J.M. Keynes agree that economic science should focus primarily on human betterment. The modern idea of progress is often considered to be in dynamic relation to economics. Warren Wagar explains that

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Economic and social progress has been accompanied by continuing progress in science and scholarship. The two interact. By making possible the expansion of facilities for education and research, economic and social progress accelerates learning; and learning
in its turn, by stimulating technical progress, accelerates progress in the economy and the social order.\textsuperscript{79}

This leads to the conclusion that advances in economics are not only a manifestation of progress, but also an essential element of it.

The goal of freedom that is essential to both liberalism and progress is implicit in the drive to achieve mastery over chance and in the pursuit of economic progress. This, I submit, gives reason to assert that the quests of the mastery of chance and of economic progress are hallmarks of both liberalism and progressivism. This intimacy of goals is undergirded by their unified commitment to freedom and reason. The common beliefs and goals of liberalism and progress lead to a definite unity between the two. Therefore, it is apt to describe this unity in a single term: liberal progressivism. Liberal progressivism's ultimate goal of human autonomy is sought in the drive to mastery of contingency and in the pursuit of economic progress. In the following chapters I shall provide an analysis of the influence of the assumptions of mastery and growth - and, by implication, liberal progressivism - on unemployment insurance policy.

\textsuperscript{79}Wagar, p. 240.
Chapter Two

A Brief History of Unemployment Insurance

Before proceeding with a foundational analysis of unemployment insurance in Canada it is important to understand the historical background of the development of this element of social welfare. Canadian ideas about social welfare have not, generally, been indigenous. For that reason it is important to look at the early British example of unemployment insurance (1911-1940) which served as a basis for the Canadian system (1940 and following). This brief historical sketch will focus specifically on the events surrounding implementation and early developments of unemployment insurance in Canada. This will set the context for a more intensive foundational analysis in the following chapter.

1. Great Britain

The first national public unemployment insurance (UI) system began in Great Britain in 1911 under the direction of Lloyd George and Winston Churchill of the Asquith Liberal government.1 A Realpolitik attitude motivated these two in their efforts to

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1Britain's unemployment insurance system was introduced in 1911. Bismark's social insurance system in Prussia (1883 - sickness, 1884 - industrial accidents, 1889 - invalidity and old age) did not include unemployment insurance. A comprehensive unemployment insurance system was introduced in Wiemar Germany only in 1923. Bismark's social insurance innovations are notable in that they embody the basic hallmarks of contemporary social insurance provision: compulsory participation, tripartite funding, and benefits based on past contributions. See Peter Flora, editor, Growth to Limits: The Western European Welfare States Since World War II, Vol. 2., (New York: Walter de Gruyter, 1986), p. 6.
implement social policy. Churchill firmly believed that "a big slice of Bismarkianism," would hinder the development of socialism in Britain.² Bismark successfully placated socialistic ferment and unrest amongst the German working classes by introducing social welfare legislation. Lloyd George and Winston Churchill hoped to render a similar blow to British socialism by introducing new social legislation.³

Lloyd George began the process of implementing a social insurance system in Great Britain with his famous 1909 People's Budget.⁴ He proposed a land value tax as a revenue raising measure for social insurance in that legislative package. The House of Lords was disenchanted with his actions and vetoed the People's Budget, sparking a constitutional crisis. When the controversy subsided in 1911, the Lords' power to veto monetary legislation was removed and their veto over non-monetary legislation was restricted to a two year delay power. The People's Budget was passed into law in 1910. It included a provision of funds for the implementation of the National Insurance Act of 1911.

The President of the Board of Trade, Winston Churchill, was responsible for the UI provisions of the National Insurance Act (it also included measures for health insurance). Following extensive consultations with charity organizations, trips to

³Recall that the hypothesis of this project is that UI is undergirded by a foundation of liberal progressivism. The obviously sectarian motivations of Churchill and Lloyd George appear to undercut this thesis. However, as I will argue in the following chapter, the liberal progressive foundation of UI is subtle but abundantly clear in the structure of policy that was first developed by the British bureaucrat William Beveridge. This gives reason to believe that these sectarian motivations were ultimately secondary to the liberal progressive foundation that did in fact emerge.
⁴Fraser, p. 156.
Germany to study the Bismarkian social insurance system, and a Royal Commission on the Poor Law, Churchill decided to implement a compulsory contributory unemployment insurance system. The system was rather minimal and, as Percy Cohen suggests, "experimental in character." It applied primarily to workers in industries prone to employment fluctuations. Insurance coverage was available for approximately two and a quarter million workers, a relatively small percentage of the total British labour force. These minimal coverage measures are indicative of the cautious and experimental character of the Act. Funding for the program was tripartite, with equal contributions coming from employers and employees. The Exchequer contributed a third of the combined total of employer-employee contributions. Benefits were payable through the labour exchanges (established in 1909, under the direction of William Beveridge) as a means to test the validity of claims. Claimants were only able to collect benefits if suitable employment was unavailable.

Despite the experimental character of the legislation it achieved considerable success. The insurance fund developed a healthy surplus after World War I, even after munitions workers were given coverage. By 1920 the system remained financially sound and covered approximately three out of four workers. By that time only agricultural workers and the stable occupations of public service and railway work were excluded from the UI scheme. Beginning in 1921 unemployment rates rose dramatically. This was considered to be an implication of post-World War I demobilization. Fourteen percent of the insured work force was unemployed and the UI fund surplus began to shrink.

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7Ibid.
9Cohen, p. 20.
dramatically. Consequently, UI retrenchment measures were introduced. These included increased premiums, decreased benefits, more stringent eligibility requirements and extended waiting periods. The economic and unemployment problems associated with demobilization persisted and much labour strife followed.

In 1925 Lord Blanesburgh was appointed to chair a Ministry of Labour review of the UI system. The review found the system basically sound, blaming its troubles on the cycle of trade. The Blanesburgh Committee concluded that benefits should be paid to the unemployed regardless of their past contributions to the insurance fund. It was assumed that the system would remain financially viable through accurate predictions of the ebb and flow of the trade cycle, even if eligibility requirements were relaxed. However, William Beveridge feared that the committee was foolishly "recommending the prediction of the unpredictable" and consequently imperiling the entire system. Beveridge's opposition went unheeded and the Committee's report became the basis for the 1927 Unemployment Insurance Act.

In 1930 the fiscal pressures of the looming depression prompted the Labour government to appoint a Royal Commission under Holman Gregory to investigate the UI scheme. Against the backdrop of continuing economic problems and a prevailing mood of retrenchment, the Holman Gregory Commission emphatically re-asserted the insurance principle in their final report of 1932. The Blanesburgh policies were rejected in the Commission's insistence that receipt of benefits again be strictly linked to past contributions. The Commission asserted that relief for those who had exhausted their benefits, or who were ineligible for UI, should be administered separately from UI proper. The 1934 Unemployment Act adopted the Holman Gregory recommendations by establishing the Unemployment Assistance Board (UAB) to deal with the particular

10 Jones, p. 105.
11 Jones, p. 110.
problems of long-term unemployment. The Act was heralded as "a notable piece of social legislation, by which the Conservatives consolidated the welfare state." The Act was a key element in the completion of a comprehensive system of social welfare in Great Britain. Apart from UI and UAB assistance for chronic unemployment, Great Britain had all the elements of a comprehensive welfare state including workers compensation, medical insurance, illness benefits, and pensions for the elderly. The British unemployment insurance system of 1934 served as a model in the development of Canadian UI system.

2. Canada.

Unemployment insurance in Canada has a prehistory dating from 1900 to 1940. Unemployment was recognized as a significant social problem when the pace of industrialization began to quicken around 1900. The first governmental consideration of the problem was undertaken in Ontario in the midst of the 1914-1915 recession. The Ontario Commission on Unemployment recommended several piecemeal measures to alleviate the affects of unemployment, including government assistance for voluntary associations that provided unemployment benefits for their members. The Commission did not believe that a compulsory insurance system, similar to Britain's, would be workable. The Commission presumed that the lack of employment exchanges would make it impossible to gather "necessary statistical data on which to assess the probable degree of risk and [the] resulting cost" of a compulsory unemployment insurance system. World War I prompted an economic boom in the country. For that reason the policy propositions of the Ontario Commission and more general concerns about unemployment ceased to have political and economic relevance.

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12 Fraser, p. 196.
In the spring of 1918 the National Employment Service of Canada (ESC) began operation. The Borden government started this venture in an effort to alleviate labour shortages through the coordination of labour supply. This goal was to be pursued through a national network of labour exchanges Newton Rowell, a liberal member of the wartime union cabinet, was the principle proponent of the ESC. His ideas about unemployment policy were inspired by the British new liberals; Asquith, Lloyd George, and Churchill. Rowell's vision of a broad social insurance system was checked by Borden's hostility to welfare state provisions. However, his new liberal ideas did form the basis of the ESC mandate

'...to study and report on unemployment and ways and means of lessening unemployment.'
It also created a broadly representative advisory council to oversee the service and report to the federal government on ways of 'preventing unemployment.' In short the creation of a permanent Employment Service was the most tangible evidence of a new federal commitment to tackling unemployment as an industrial ... problem.¹⁴

The First director of the ESC, Bryce Stewart, reflected Rowell's broad social policy hopes. As a disciple of British social policy expert William Beveridge, Stewart believed fervently that unemployment could only be alleviated through direct state action. To that end he believed that the ESC was an essential tool for government to understand and manage labour markets. But Stewart also recognized that "the ESC was 'only the first step in dealing with unemployment,' part of a 'co-ordinated attack' that would have to include 'vocational guidance and technical education, regulation of private employment agencies, regularization of industry, systematic distribution of public employment, [and] unemployment insurance."¹⁵ In spite of Stewart's grand hopes for social welfare, no substantive government policy initiatives were undertaken.

The post-war recession (1920-1921) prompted urgent concern for unemployment relief. In 1921 the federal government introduced ad hoc grant provisions to the

¹⁵Ibid.
provinces so that they might provide direct unemployment relief and create new jobs through public works. The federal government emphasized however, that "unemployment relief... 'always has been and must necessarily continue to be, primarily a municipal responsibility, and in the second instance the responsibility of the province."

The government also asserted that federal relief policies were only necessary in "abnormal economic and industrial conditions" common to times of deep recession. This residual approach to social welfare persisted because the economy became robust again in 1923. Dennis Guest explains that "the general prosperity of the late 1920's, the conventional attitudes concerning unemployment and its remedies, and the aggressive touting of the virtues of free enterprise whenever the topic of social insurance was raised obscured the need for some permanent system of income protection against unemployment." This ad hoc approach to social welfare began to change only during the Great Depression of the 1930s.

Unemployment became pervasive in Canada in the Depression years. Initially relief of unemployment was facilitated by the provision of jobs in public works projects. Governments soon discovered that such an approach was exceedingly expensive. For example, the Ontario government discovered that it cost two dollars to provide one dollar in work-relief wages. By the end of 1932 most public works projects were suspended and replaced by direct relief measures. Relief in this order was rarely dispensed in cash, but in essential goods or in vouchers specified for them. This was reflective of the prevailing "distrust of dependent people which had pervaded both public and private charity up to this time." Unemployment relief remained a patchwork of municipally

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16 Guest, p. 71.
17 Ibid.
18 Guest, p. 73.
19 H. M. Cassidy, Unemployment and Relief in Ontario, (Toronto: J.M. Dent and Sons, 1932), pp. 150-152
20 Guest, p. 84.
administered systems with little uniformity present even in minimum levels of aid. Guest explains that this rather primitive patchwork system was due to the persistent belief in the federal government that unemployment relief was only a concern in emergency economic situations. The dire circumstances of depression forced the federal government to provide a significant amount of relief for unemployed people. Eventually, this expansion of federal participation in relief efforts led to a revised perception of the character and scope of social welfare in Canada. This was first evident during the administration of R.B. Bennett.

In 1935 Prime Minister R.B. Bennett announced "the end of laissez-faire" in federal government policy with the introduction of his version of a New Deal. The most important part of Bennett's New Deal legislation was the Employment and Social Insurance Act (1935). Bennett promised "to do away with 'emergency relief measures' and introduce a sound and scientific insurance against unemployment." Ad hoc relief measures were to be avoided from that point on.

Bennett's 1935 proposal for a UI system was similar to the British system of the day. It was to be a compulsory contributory system administered by a network of employment exchanges (or bureaus). The Act would cover an estimated two-thirds of the work force, excluding only workers from seasonal and low-skill industries. Receipt of benefits was to be contingent on past contributions and strictly tied to inability to find suitable employment. Financing was to be tripartite: employers and employees

21 Guest, p. 86.
23 Guest, p. 88.
24 In fact the Bennett government solicited the advice of F.G. Price who had worked on the recent British reforms. See Struthers, p. 121.
contributing five-twelfths each and the federal government covering the remaining two-
twelfths and the responsibility for administration costs.25

The Employment and Social Insurance Act was passed by the House of Commons in March 1935 but was never implemented. Due in part to the urging of Mackenzie King, leader of the liberal opposition, the Privy Council refused to give assent to the legislation. They ruled that "the legislation dealt with 'property and civil rights' in the provinces and was therefore beyond the powers of the dominion government."26 The implementation of sound and scientific insurance against unemployment and other social welfare measures on the federal level was, therefore, dependent on a constitutional amendment to allow federal control of UI. Though Bennett's New Deal failed to become law, it signaled a new federal commitment to pursue the development of a comprehensive system of social welfare, including a compulsory UI system. The ad hoc and patchwork arrangements of municipally administered relief were recognized as unsatisfactory and would soon be replaced by a uniform system of social welfare.

The constitutional problems created by the rejection of the 1935 Employment and Social Insurance Act led to the establishment of a Royal Commission on Dominion-Provincial Relations (1937-1940). The Commission was mandated to "make recommendations as to what should be done to secure a more equitable and practical division of the burden to enable all governments to function more effectively within the spheres of their respective jurisdictions."27 The Commission asserted that provincial powers should be strengthened. Consequently, they proposed that the federal government take responsibility only for "functions of government that were best performed, from the standpoint of equity and efficiency, on a national rather than a provincial basis."28

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26 Guest, p. 89.
27 Birch, p. 191.
28 Guest, p. 90.
Commission recognized that provinces were unable to deal with the expanding and demanding necessities of social welfare and argued therefore, that the federal government should be responsible for measures like unemployment and social insurance. The Commission stated that social welfare expenditures

are a new means of achieving a new measure of economic security, greater justice, and greater happiness for the population as a whole; to governments they present new problems of fiscal as well as social policy, and a challenge that both the expenditures themselves and the accompanying taxation should be as efficiently and equitably organized as possible.\(^{29}\)

Clearly the Commission presumed that centralization of the administration of social expenditure at the federal level would facilitate strong and helpful social welfare policy.

Bennett's *New Deal* and the Report of the Royal Commission on Dominion-Provincial Relations did much to change the social welfare paradigm in Canada. However, substantive policy changes did not occur in the Depression years but began only in 1940. The demand for industrial products due to World War II ended the economic difficulties of the Depression and led to rapid industrialization and urbanization in Canada. The war itself served as a catalyst for the development of social welfare policy: "The federal and provincial governments came to understand that social services were not a luxury to be dispensed with in a time of more pressing need but were a vital element in the smooth functioning of the wartime economy."\(^{30}\) Presumably social welfare could increase morale on the home front and, thereby, strengthen the war effort through high industrial output and positive encouragement for the troops. The Liberal government of Prime Minister Mackenzie King was guided by such an assumption in its UI proposals of 1940. Smooth passage of the legislation was assured by the 1940 amendment to the British North America Act which placed UI in the realm of federal responsibility (section


\(^{30}\)Guest, p. 105.
The Unemployment Insurance Act of 1940 was similar in scope to the 1935 legislation and was loosely based on British precedents. The Act did, however, contain a significant innovation. Contributions and benefits were related to wages rather than being based on a flat-rate system. It had been found that flat rate benefits tended to result in the "over-insuring" of the lowest levels of the labour force. Flat rate benefits would meet or exceed the wage levels of these workers and thereby create employment disincentives among them. It was presumed that a fluctuating benefit scale, based on a percentage of earnings would nullify such disincentives. Benefits were set at an average of fifty percent of wage rates in order to prompt recipients to find new employment as soon as possible. No provision was made for those affected by long-term unemployment.

The limitations of the system were not a subject of great public dissent because the economy remained strong and unemployment minimal throughout World War II, and well into the 1950s. Social security received broad acceptance as a legitimate and important goal. The consensus in support of comprehensive social welfare was, of course, a definite contrast to the former residual approach to social security. Dennis Guest explains the significance of this change:

The wartime period witnessed the first countrywide discussions of a comprehensive social security system for Canada, a consequence of the fact that 'peace aims are war weapons.' Furthermore, 'the war was . . . responsible for lifting counter-cyclical policy from the classroom to the forum. Income maintenance proposals could now be supported for their stabilizing effect on the economy, as in the case of unemployment insurance . . . . This facilitated the planning of social security schemes that would have been considered financially irresponsible in pre-war years.'

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32 Once again the Canadian government solicited the policy advice of British UI experts in drafting the new legislation. See Struthers, p. 176.
33 Struthers, p. 201.
34 Guest, p. 126.
The wartime social welfare innovations, that began with the Unemployment Insurance Act of 1940, became the basis for the development of a comprehensive social welfare system in the decades to follow.

Further developments in unemployment insurance policy became subordinated to the King government's preoccupation with full employment policy. The constitutional impediments of the separation of federal and provincial powers also hindered the introduction of new policy. Planning for a more comprehensive system did not resume until the late 1950s. The 1956 Unemployment Assistance Act addressed some of the deficiencies of the 1940 Act. In particular, this Act extended benefits to those affected by long-term unemployment and tied benefits to a needs test rather than the contributory scheme of the past. The federal government also assumed responsibility for half of the cost of the program.\textsuperscript{35} In the 1960s unemployment insurance policy remained stable while other elements of the welfare state were introduced. Pensions for the elderly, national health insurance, and the Canada Assistance plan were all implemented in that decade, thus completing the social welfare system in Canada.

Unemployment insurance became the centre of social welfare attention again in 1971. The Unemployment Insurance Act of 1971 expanded coverage to include virtually all Canadian workers and relaxed the qualifications for receipt of benefits. Benefit levels were increased to approximately two-thirds of the recipient's regular wage. The Act also extended benefits for work interruptions due to sickness, disability or pregnancy.\textsuperscript{36} The structure of UI has remained, for the most part, constant since the 1971 legislation. Further developments in Canadian UI policy will be discussed in detail in the following chapter.

\textsuperscript{35}Guest, p. 146.
\textsuperscript{36}Pal, p. 43
Chapter Three

Liberal Progressivism and Public Policy:  
*The Example of Unemployment Insurance*

Liberal progressivism has a profound influence on social welfare policies such as unemployment insurance. This is immediately evident in the Keynesian roots of income security measures in Britain and Canada. The progressive foundation of unemployment insurance policy is also apparent in two particular themes: the drive to mastery of chance and the commitment to economic progress. The first chapter of this thesis has suggested that the essence of the progressive spirit is to be found in a drive to overcome contingency, or as George Grant said, to achieve mastery over chance. Unemployment insurance was developed to protect people from the contingencies of the business cycle. In that respect it is a method of the mastery of chance. This is seen clearly in William Beveridge's assertion that unemployment insurance is simply a palliative measure to address the effects of abnormality in the market. The palliative and transitory character of unemployment insurance implies an assumption that economic progress will normally maintain economic and income security. This linkage of unemployment insurance policy and economic progress will become evident through a survey of several major post World War Two Canadian policy documents on unemployment insurance development. Economic growth has become imperative to the viability of unemployment insurance.
1. William Beveridge on Social Insurance:  
*The Foundations of Mastery and Growth*

The liberal progressive roots of contemporary social welfare policy were first planted in Great Britain in the period of World War II. In that period the ideas of William Beveridge and John Maynard Keynes came to prominence in social and economic policy. In fact Beveridge and Keynes are commonly purported to be the "intellectual founders of the British welfare state."\(^1\) Keynes, as explained in the first chapter of this study, was a self-confessed *new liberal*. This was manifest in his belief that government intervention in economic activity was imperative for social justice and social stability. William Beveridge held similar beliefs and gave them expression in his writings on social insurance and social security. Karel Williams and John Williams explain that Beveridge's intellectual legacy was his "popular exposition of Keynesianism."\(^2\) This should not be construed as a minimization of Beveridge's practical accomplishments. His work in *Social Insurance and Allied Services* (1942) and *Full Employment and A Free Society* undergird virtually all subsequent British - and Canadian for that matter - social security policy. Essentially Keynes and Beveridge were engaged in the common task of "reinventing liberalism" but, respectively, took theoretical and practical approaches.\(^3\) They both rejected "the old liberal *laissez-faire* position of general hostility to state intervention in a market economy."\(^4\) The new progressive liberalism of Keynes and Beveridge came to be expressed in the British welfare state and the policy realm of unemployment insurance (UI).

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\(^1\)Rodney Lowe, *The Welfare State in Britain Since 1945*, (London: MacMillan, 1993), p. 16. We shall discover later that their ideas had a decisive impact on Canadian unemployment insurance policy development.


\(^4\)Ibid.
The development of a comprehensive social security system in Britain was the object of the 1942 study entitled *Social Insurance and Allied Services*, also known as the *Beveridge Report*. The government commissioned a committee chaired by William Beveridge, a bureaucrat and expert on social insurance and unemployment policy, to study means of making post-war reconstruction as smooth as possible. The studies of the committee resulted in recommendations for a comprehensive social insurance system which would, of course, include provisions for UI. The final document is imbued with the rhetoric of progress and mastery of chance. This warrants the suggestion that liberal progressivism undergirds social insurance in general and UI in particular. An analysis of *Social Insurance and Allied Services* and its policy consequences will elucidate this point.

In *Social Insurance and Allied Services* William Beveridge identified the essential elements of reconstruction which he termed the *five giants*: want, disease, ignorance, squalor and idleness. Attempts to eradicate these contingencies were considered to be constitutive of a "comprehensive policy of social progress." The report primarily addressed the giant of want. The major objective of the *Beveridge Report* was to establish a social insurance system that would protect citizens against loss of earning power so that the giant of want might be eradicated. To that end Beveridge recommended provisions to guard against losses due to unemployment, disability, illness, loss of livelihood, retirement, marriage and child expenses and funeral expenses. These provisions, argued Beveridge, should be "designed to bring the interruptions of earnings to an end as quickly as possible."

The fundamental premise of Beveridge's social security scheme was its insurance basis. The past failings of poor relief in England had been attributed to the stigmatization

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6*Beveridge Report* was the common title given to *SIAS*.
and dependency created by past methods of philanthropy. Social insurance financed by the contributions of potential recipients could be distributed to them as a matter of right during periods of interruptions to their incomes. Beveridge fervently believed that "people wanted security not as charity but as a right.' . . Insurance implied a contractual obligation on which, it was felt, government could not renege."8 Presumably the dependency phenomena surrounding charity would be surpassed by such a contractual arrangement. The liberal nature of Beveridge's recommendations are apparent in the language of contract and right.9

Companion to this subtle liberal motif in Social Insurance and Allied Services is a progressive rhetoric of mastery of chance. Beveridge's call for a contractual arrangement between government and citizen obviously surpasses the classical liberal commitment to laissez-faire economics. Beveridge, like Keynes, believed that the free market was no longer operating properly. He thus argued that freedom, the primal liberal value, necessitated a certain degree of government intervention in the economy. For Beveridge "political freedom meant freedom not just from 'the arbitrary power of government' but

8 Lowe, p. 127.
9 A tertiary remark on liberalism in the Beveridge Report: Beveridge was adamant about avoiding disincentives to private security initiative: "The state in organizing security should not stifle incentive, opportunity, responsibility; in establishing a national minimum it should leave room and encourage each individual to provide more than that minimum for himself and his family." (Beveridge, SIAS, pp. 6-7.) Therefore, benefit rates were set at subsistence levels to meet this objective and to keep government interference in the economy at a minimum. Cutler, Williams and Williams suggest that in the subsistence minimum principle "Beveridge aimed to encourage the growth of voluntary provisions" for freedom from want. Apparently this would "re-establish the conditions of individualism through voluntary insurance." (Cutler, et al., p. 15) In fact Beveridge asserted that "voluntary insurance to supplement compulsory insurance is an integral feature of the Plan for Social Security." (Beveridge, SIAS, p. 33) The subsistence minimum of the compulsory national social insurance scheme could be supplemented through freely chosen private insurance. Clearly then, Beveridge intended to maintain the liberal values of limited government and individual choice even within the structure of a system of social security.
also from 'economic servitude to want and squalor.' The state alone could guarantee this freedom for everyone."¹⁰ Beveridge thus makes a tacit argument that government should make every effort to address the contingencies of want and squalor or, put another way, to master economic chance.

Beveridge considered his efforts to implement social security to be an essential and progressive quest. The very term social security is loaded with progressive significance. Security of course implies the absence of chance or freedom from harm. Security is a condition in which the mastery of contingency is achieved. Beveridge considered his pursuit in Social Insurance and Allied Services to be imbued with progressive significance:

In seeking security not merely against physical want, but against these all evils (the five giants) in all their forms, and in showing that security can be combined with freedom and enterprise and responsibility of the individual for his own life, the British community and those who in other lands have inherited the British tradition have a vital service to render to human progress.¹¹

In fact Beveridge warned that failure to implement social security in a sufficient form would lead to the development of dire social and economic consequences. According to him, failure to adopt his recommendations for social security would "merely mean that the cost of unemployment or sickness or childhood [would be] borne not directly in cash, but indirectly in privation and lowered human efficiency."¹² Social security for Beveridge is then, essential not only for progress in a general sense, but for mastery of the contingencies associated with depravation and (apparently concomitant) losses in productivity. Mastery of such contingencies could, presumably, contribute to social stability. In any case the ultimate goal of the Beveridge Report appears to be mastery of the contingency of want.

¹⁰ Lowe, p. 17.
¹¹ Beveridge, SIAS, p. 170. Parenthesis and italicized emphasis mine.
¹² Ibid.
Unemployment insurance was an integral component of Beveridge's scheme to achieve mastery over want. UI could achieve this by providing short term benefits in the event of job loss.\textsuperscript{13} As Director of Labour Exchanges Beveridge had a key role in the drafting and implementation of the 1911 National Insurance Act unemployment provisions. His recommendations for UI in 1942 did not include any dramatic changes and should therefore, be understood in the broader context of the comprehensive social insurance recommendations. A survey of Beveridge's \textit{Unemployment: A Problem of Industry} reveals his fundamental assumptions about UI.

Consistent with his general propositions for social insurance, Beveridge's ideas concerning UI are characterized by a drive to master chance. This is certainly not immediately evident in his discussions of unemployment specifically. For instance he states that "unemployment itself must be accepted as in some degree inevitable."\textsuperscript{14} Beveridge agreed with a conventional assumption that a surplus of labour was important to economic growth and, to a degree, a by-product of industrial competition.\textsuperscript{15} The problem of unemployment, it was admitted, could not be mastered. UI was therefore an essential tool to "reduce the pain of unemployment to relative insignificance."\textsuperscript{16} Beveridge had confidence that the various contingencies of unemployment could be mastered through the use of insurance. UI would enable the unemployed to "tide over periods of temporary depression [and] would also serve to keep them while searching for new occupations."\textsuperscript{17} According to Beveridge, labour market objectives such as fluidity of

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\item[13]\textsuperscript{13} Beveridge was adamant that UI should be applicable only to short term unemployment. (Beveridge \textit{Sias}, p. 163) Long term situations demand different responses.
\item[14]\textsuperscript{14} William Beveridge, \textit{Unemployment: A Problem of Industry}. (Toronto: Longmans, Green and Company, 1930), pp. 219-220. Hereafter referred to as Beveridge, \textit{Unemployment}.
\item[16]\textsuperscript{16} Beveridge, \textit{Unemployment}, p. 235.
\item[17]\textsuperscript{17} Beveridge, \textit{Unemployment}, p. 237. Note here that unemployment is considered to be only a temporary condition. This implies that economic conditions will change and reduce
\end{itemize}
supply are also facilitated by unemployment insurance: UI would enable a worker to seek employment suited to their qualifications rather than taking the first available job (for which he or she is not suitably qualified.) UI then, enables the matching of employer needs and worker qualifications by providing workers a viable financial basis from which to pursue suitable employment (for an extended period of time if necessary). The contingencies experienced by both labour (want) and employers (suitable labour) as a result of unemployment are palliated as much as possible through the use of UI. Thus UI can well be considered a manifestation of the drive to chance mastery.

In chapter one of this study I explained that a trust in economic progress or economic growth was an integral part of liberal progressivism. Therefore, it should follow that UI, as a liberal progressive measure, is based on a motif of economic progress. However, this is not immediately apparent in Beveridge's writings. In *Social Insurance and Allied Services* Beveridge recognized that the growth of prosperity did not eradicate the contingencies of want. He said that "abolition of want cannot be brought about merely by increasing production" or, put another way, by pursuit of greater prosperity.\(^\text{18}\) Social insurance is a necessary tool to distribute wealth in order to eradicate want. It is however incorrect to assume that Beveridge's designs for social insurance and UI were devoid of a progressive faith in economic growth.

Economic progress or growth is a significant part of Beveridge's design for social insurance in two respects. First, he justifies social insurance as a means of creating greater wealth through organization of an economy. Second, the actuarial basis and economic assumptions of his propositions for social insurance necessitate a relative persistence of economic growth. It is clear then that there is a circular argument in the work of Beveridge: he affirms that economic progress has failed to eradicate want and

\(^{18}\)Beveridge, *SIAS*, p. 167.
yet the social insurance system he proposes to address the shortfall is contingent on that very aspect of progress. He believes that systemic tinkering will correct the past failings of economic progress and steer it toward the eradication of want. Essentially he recognizes that economic growth has failed but expects that it will successfully master the contingency of want through (growth dependent) UI.

Concerning the first point; perhaps in attempt to address the potential objections of critics in the Treasury office, Beveridge insists that the redistributive measures of social insurance are conducive to economic growth. He makes the following point in Social Insurance and Allied Services:

Better distribution of purchasing power is required among wage-earners themselves, as between times of earning and not earning, and between times of heavy family responsibilities and of light or no family responsibilities. Both social insurance and child allowances are primarily methods or re-distributing wealth. Such better distribution cannot fail to add to welfare, and properly designed, it can increase wealth, by maintaining physical vigour.19

Beveridge’s hope here is to prove that social insurance will not stifle incentives to work but strengthen physical and mental well-being, thereby improving productivity.20 It would also sustain or improve purchasing power of the less fortunate, thereby stimulating production. This becomes clear in the following statement about UI specifically: "Payment of unemployment benefit on the most generous scale compatible with preservation of the mobility of labour and of the incentive to seek work and reject idleness will maintain the purchasing power of workpeople, if trade depression begins, and will thus mitigate the severity of depression."21 Beveridge’s ideas here reflect Keynes' argument that "income-maintenance policies were not only compassionate, they were efficient as 'automatic stabilizers' for preserving consumer demand and countering cyclical fluctuations in production."22 UI is, of course, a primary form of income maintenance.

19Beveridge, SIAS, p. 167
20Lowe, p. 130.
21Beveridge, SIAS, p. 164.
22Ronald Manzer, Public Policies and Political Development in Canada, (Toronto: - Chapter Three - Page 54
Beveridge's plans are undergirded by a subtle notion that UI can contribute to economic progress by bringing order to the labour market and sustaining the economy through the maintenance of purchasing power. Effective policies of "economic stabilization" were most certainly imperative to the operation of a viable social security apparatus. Presumably then, Beveridge stands with the new liberals in the affirmation that social and economic progress necessitates a degree of government intervention in the economy.

The presence of a second economic progress assumption in Beveridge's work on social insurance is manifested in practical actuarial and economic principles. Beveridge argues for an UI fund "built up largely by weekly contributions of employers and employees." The economic stability of any insurance scheme depends on the receipt of contributions greater or equal to claim disbursements. In the case of UI financial solvency becomes more complex. During down-turns in the business cycle claims tend to rise and contributions tend to fall. The continued solvency of the UI fund, and the viability of UI in general, is thus dependent on growth in up-turns in the business cycle so that an influx of claims during down-turns might be sustained. Fund solvency, then, is based on an assumption that economic growth will enable down turns to be surpassed. All periods of depression must be followed by prosperity in order for UI to remain viable. This strict growth contingent insurance system is mitigated by Beveridge's suggestion that contributions could vary with the times - that they be increased in "good times" and decreased in "bad times." In spite of this slight limitation it must be argued that the

University of Toronto Press, 1985), p. 60.
23Leslie Pal explains that this goal of economic stability and growth stimulus is one of four broad objectives in the majority of UI initiatives. This demonstrates the significance of Beveridge's legacy. See Leslie A. Pal, State, Class and Bureaucracy: Canadian Unemployment Insurance and Public Policy, (Kingston: McGill-Queen's University Press, 1988), pp. 26-27. Hereafter referred to as Pal, SCB...
24Manzer, p. 69.
25Beveridge, SIAS, p. 164.
26Beveridge, SIAS, p. 164.
viability of Beveridge's UI scheme rests on an assumption that economic down-turns will be followed by renewed economic growth.

Beveridge's monumental efforts in *Social Insurance and Allied Services* had a significant impact on social insurance policy in Great Britain (and elsewhere). Indeed the *Beveridge Report* has been lauded as a "blue print for the welfare state." Upon release in 1942 the British public was enthusiastic. However Prime Minister Churchill called the report a vision of "Utopia and Eldorado" and refused to commit to any policy changes due to the urgency of war. Political pressure in the union war cabinet forced Churchill to begin making plans for the transition from war to peace. In 1944 there was a flurry of studies on social policy innovations commonly referred to as the "White Paper chase." Two of these are significant for our purposes. First, in May 1944 a White Paper entitled *Employment Policy* was released. Beveridge's call to use public expenditure to address the effects of unemployment was repeated in that document. Derek Fraser explains that the White Paper also marked the official acceptance of neo-liberal Keynesian economics. The impact of *Employment Policy* was accentuated by Beveridge's overtly Keynesian *Full Employment in a Free Society* (1944). Secondly, the White Paper entitled *Social Insurance* (September, 1944) marked the first specific official response to the *Beveridge Report*. It called for a "fight against individual want and mischance" by means

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27Lowe, p. 125.
28News of the *Beveridge Report* reached North America as well. In December 1942 Prime Minister Mackenzie King and President Franklin Roosevelt had a discussion about the British innovations. Roosevelt called social insurance politically popular - saying in particular that the *Beveridge Report* "had made a real impression" on the people of the United States. King boasted in a misleading fashion that Canada "had most of this programme already." Canada, in fact, had very few social insurance programs at the time. See Dennis Guest, *The Emergence of Social Security in Canada*, second edition, (Vancouver: University of British Columbia Press, 1985), p. 110.
30Fraser, p. 219.
31Fraser, p. 220.
of a social security system. Certain elements of Beveridge's plan were questioned (subsistence benefits) but the substance of his recommendations were accepted. Between 1944 and 1946 British social legislation bore the mark of Beveridge's quest to eliminate the five giants. Most significantly the National Insurance Act (1946) "derived from Beveridge its essential character, its comprehensiveness, covering the whole population and all risks from the cradle to the grave." Hence, Beveridge's quest to master the contingencies of want and his subtle commitment to economic growth came to undergird official British social policy. Beveridge's innovations and fundamental assumptions in Social Insurance and Allied Services and in Unemployment: A Problem of Industry came to have an impact in Canada as well.

2. Canada and the Liberal Progressive Inheritance:

Unemployment Insurance Developments up to 1943

British thought on social policy had a significant influence in the development of Canadian social policy. Ronald Manzer makes the following point:

The theory of the welfare state was not developed by Canadians. The theorists most influential in shaping Canadian policies were British - Keynes with his economic theory and William Beveridge with his 1942 report on social security in Britain. Together they created a framework of policy ideas and instruments within which political and bureaucratic planners could work out a detailed set of policies and programs of full employment and social security in Canada.

British influence on Canadian social policy was clearly evident in the 1943 Report on Social Security in Canada (the Marsh Report). Prior to that date virtually all Canadian unemployment and UI policy was modeled on British practice. This gives reason to presume that Canada inherited the progressive foundations of British policy.

The influence of William Beveridge and British new liberalism on Canadian unemployment and UI policy is evident in a host of ways. Canadian policy makers rarely

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32 Fraser, p. 220.
33 Fraser, p. 228.
34 Manzer, p. 61.
developed original policy, rather they looked to Britain for policy inspiration and guidance. This was first evident in the policies of the administration of Robert Borden. In chapter two of this study, the establishment of the National Employment Service of Canada (1918) was discussed. Newton Rowell, the minister responsible for the creation and implementation of the ESC drew his ideas from the social policy innovations of the new liberals in the British Asquith government. Bryce Stewart, the first director of the ESC was a self-confessed disciple of William Beveridge. The ESC was thus influenced by Beveridge's call for labour market organization through the use of employment exchanges. Stewart agreed with Beveridge's assertion that a coordinated attack on unemployment was necessary. In *Unemployment: A Problem of Industry* Beveridge argues that labour market organization and income security are imperatives if the problems of unemployment are to be addressed. Similarly, Stewart argued that "unemployment insurance goes hand in hand with labour exchanges'... and there would be little progress in preventing unemployment 'until we have placed it... on the basis of dollars and cents.'" Stewart had obviously accepted Beveridge's contention that income security by means of UI is imperative.

Virtually all the efforts to implement UI in Canada, up to and including the 1940 legislation, were structured on the British model of 1911 which, incidentally, was developed by Beveridge. The rhetoric of the mastery of chance that was vivid in Beveridge's writings also surfaced in Canadian discussions of UI.

For instance the Royal Commission on Industrial Relations (1919) reported that UI could "remove the spectre of fear which now haunts the wage earner and make him, a

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35Beveridge spent much of his bureaucratic tenure administering a system of employment exchanges. He maintains that they are useful for labour market organization in that they eliminate waste by providing co-ordinated information to employers and workers. See Beveridge, *Unemployment*, pp. 199-209

more contented and better citizen."\(^{37}\) Essentially, the Commission assumed that removal of the contingencies common to unemployment would facilitate betterment. The report of the Commission prompted political pressure that compelled the Borden government to investigate the feasibility of UI for Canada. The Labour Department enthusiastically set to work and by 1920 had drafted a system "modeled closely on the British Legislation of 1911."\(^{38}\) The draft was never adopted.

Economic circumstances during the 1920s pushed UI to the margins of the political agenda until the depression years. British influence on Canadian policy development was again apparent at that time. In 1933 Prime Minister Bennett's chief private secretary, R.K. Finlayson, was sent to Britain to study recent unemployment insurance innovations. He was convinced that an unemployment insurance system would be practicable and, therefore, maintained "close contact with British officials" in order to gain insights into UI.\(^{39}\) Finlayson went on to play a key role in the drafting of the failed Employment and Social Insurance Act of 1935. The 1935 Act, and British precedents as noted in the previous chapter, were also the basis of the 1940 legislation.

More substantive manifestations of the influence of British liberal progressivism on Canadian UI policy surfaced in the 1940 report of the Royal Commission on Dominion Provincial Relations. That Commission was convened to address the constitutional and jurisdictional problems associated with the demise of Bennett's 1935 unemployment insurance legislation. The Commission adamantly asserted that the federal government should be given full responsibility for unemployment relief in the interests of administrative and financial efficiency. James Struthers points out that the Commission's recommendations were undergirded by a direct embracing of Keynesianism. This was

\(^{37}\) As cited in Struthers, p. 22.  
\(^{38}\) Struthers, p. 23.  
\(^{39}\) Pal, SCB, p. 105.
evident in the Commission's explanation for proposing sole federal responsibility for unemployment relief:

Because of its wide monetary and taxation powers, the dominion was the 'only government' that could meet the 'large fluctuating expenditures due to unemployment' through a 'planned budgetary policy of deficits during depressions, and surpluses and debt repayment during prosperity.' For that reason alone, responsibility for the 'whole problem of unemployment' had to be brought under the single control of the Federal Government. As long as it remained with the provinces and municipalities, Canada would be 'unable to eliminate the avoidable economic wastes and social consequences of mass unemployment' 40

Two basic assumptions of liberal progressivism are certainly present in these statements. The first is that the government has a duty to intervene in the economy so that certain contingencies (waste, social consequences of unemployment) can be addressed. The second is the subtle trust that prosperity or economic growth will make UI economically feasible (budgetary deficits during depressions, and surpluses and debt repayment during prosperity). The Commission made it clear that unemployment was a national problem. That conclusion gave Prime Minister Mackenzie King sufficient evidence to convince the provinces to give the federal government sole responsibility for UI. King used the looming war as a catalyst in this regard. Using a compelling mastery of contingency argument King explained to the Premiers that "unemployment insurance would 'go far to prevent much of the insecurity and industrial dislocation which might otherwise be the aftermath of war."41 UI would, presumably ease the expected pain of demobilization. The Premiers agreed and gave unanimous approval to amend the constitution to make federally administered UI possible.42 The necessary amendments to the BNA Act were passed in July 1940. The new Unemployment Insurance Act was passed the following month.

The most striking influence of British social policy thought on Canadian policy was manifested in the Report on Social Security for Canada (or the Marsh Report). The

40 Struthers, p. 204.
41 As cited in Struthers, p. 199.
42 Pal, SCB, p. 38.
Marsh Report has been termed "Canada's equivalent of the Beveridge Report." The widespread popular appeal of the Beveridge Report in Britain spread to North America. Thus, public opinion compelled Mackenzie King's government to produce a study similar to the Beveridge Report. Between 21 December 1942 and 17 January 1943 Leonard Marsh headed a committee to draft a report to be submitted to Parliament. Dennis Guest explains that the report was a distillation of the social insurance research and policy innovations produced in Canada, Britain and elsewhere. This is evident in the Marsh Report proposals for a comprehensive social security system to address the "contingencies that characterize industrial society." It is clear then, that Marsh echoed the mastery of chance rhetoric of the Beveridge Report. Many of Beveridge's policy proposals to address both universal and employment based contingencies were repeated by Marsh. His efforts were not, however, an exact duplicate of the Beveridge Report. Guest explains that "the Marsh Report was much more all-encompassing in its proposals, including as it did health policy, post-war employment and training, as well as income security" (which was Beveridge's primary focus).

3. Canadian Unemployment Insurance Policy Development: The Primacy of Growth

The Marsh Report sparked a flurry of studies and public debate. In spite of the controversy Marsh's work had a decisive impact on the character of post-war social welfare policy ferment. In 1945 the federal government presented formal social welfare proposals to the Dominion-Provincial Conference. These proposals were termed the Green Book and, according to Ronald Manzer "owed much" to the proposals of the

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44Guest, p. 110.
45Guest, p. 112.
46Guest, p. 115.

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The Green Book set goals that would characterize social policy development, including UI, in post-war Canada. In it the federal government formally set social security as a major policy objective.

Social welfare programs should be extended to fill the gaps in existing relief and insurance programs by providing comprehensive coverage of the major risks to income security caused by death, disability, sickness, retirement and unemployment. New welfare programs should be introduced using the principle of universality to provide comprehensive coverage for essential health care and income supplementation for families with dependent children.

The Canadian government had accepted the activist state paradigm which was pioneered by new liberals like Keynes and Beveridge. The Green Book proposals did not receive formal provincial approval in 1945 but characterized the majority of subsequent social welfare debate.

The goals of economic stabilization - or mastery of economic contingency - through social security were a primary concern of Canadian policy. The passage of old-age pension legislation in 1966 represented the completion of the comprehensive objectives of the Green Book. Ronald Manzer explains the foundations of this drive for social welfare:

Social welfare policy making during the post-war period rested on two assumptions: a steady growth of material prosperity and a progressive diminution of the problem of poverty in an increasingly affluent society. The rising standard of living of the majority served to strengthen the justification for redistributing part of their larger income to those who were still poor. The diminishing size of the poverty group ensured that compulsory state redistribution could be designed to be both relatively painless for donors and without stigma for the beneficiaries.

Social welfare development in Canada was based on an assumption that economic progress would proceed and make the policy financially viable. This liberal-progressive assumption is a key element in the post-war history and development of UI in Canada.

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47Manzer, p. 61.
48Manzer, p. 61.
49Manzer, p. 68.
The progressive economic assumptions of social security and UI policy that were first expressed in the work of William Beveridge and later carried to Canada, are crucial to an understanding of major policy developments in Canada. The foundational imperative of economic growth has undergirded the major revisions to UI policy. The liberal-progressive nature of UI policy is also evident in a clear rhetoric of progress and in a more subtle expression of the need for the mastery of chance. The forthcoming discussion will focus on major UI policy reviews that began in 1970.

3.1 Unemployment Insurance in the 70s

In 1970 the liberal government released a White Paper entitled *Unemployment Insurance in the 70s*. This paper was "couched in a rhetoric of progress, modern social policy and compassion."\(^{50}\) For instance the author, Bryce Mackasey, claimed that social policy should be "directed toward the more complete fulfillment of people."\(^{51}\) The White Paper rested on two basic premises that reveal its progressive nature. First, as Leslie Pal explains, "the White Paper's proposals rested on the premise of affluence. Canada was about to savour the fruits of the 'post industrial era with a spiraling gross national product and a rising standard of living."

Consequently, efforts to distribute the benefits of economic growth in newly equitable ways was considered morally imperative and financially feasible. The promise of economic progress undergirded a belief that UI program expansion - in services, eligibility and benefit levels - was entirely possible. The second premise of the Mackasey White Paper was that technological change necessitated a new approach to UI policy. Mackasey expected that the automation of industry would...

\(^{50}\)Pal, SCB, p. 113.


lead to increases in temporary layoffs. Mastery of such contingency necessitated a "service state" approach, in which the renewed UI program would "provide an efficient pipeline to vocational counseling, job opportunities, and other manpower opportunities." Presumably such an approach would address the contingencies associated with technological change.

Mackasey provided a host of justifications for expansion of unemployment insurance. These, again, reveal the progressive under-currents of his policy proposals. For instance, he expressed a common progressive liberal belief that social policy is conducive to economic expansion: "It is not only the lives of the working poor which will be bettered (by expansion). Economic conditions of society will also improve due to the increased productivity of so many of its members whose talents and energy are at present not being used to advantage." This is reminiscent of Beveridge's assertion that social security can increase wealth by improving physical vigour.

Expansion of the UI program was also expected to provide new means of mastering the contingencies of unemployment in the face of technological change. UI had been designed originally to facilitate the integration of the unemployed into the labour market. This was to be achieved through the provision of financial assistance to enable people to seek employment appropriate to their qualifications and (or) to await economic conditions conducive to the availability of suitable employment. Mackasey assumed that technological change would make "everyone, to a greater extent than ever before, ... vulnerable to a temporary interruption of earnings." Pal explains that the Mackasey White Paper implied that without a revised scheme, many unemployed workers in the 1970s would become discouraged and drop out of the labour market. The normal functions of that market, wherein unemployed workers eventually seek the best available job, would be

53Mackasey, p. 5
54Mackasey, p. 7.
55Mackasey, p. 5.
An expanded and generous UI program would enable unemployed workers to make the transition to employment in the midst of technological change with greater ease and with the benefits of increased income security. This leads to the conclusion that the proposals of *Unemployment Insurance in the 70s* were designed to enable the mastery of the contingencies of technological change.

Implementation of the proposals of *Unemployment Insurance in the 70s* proceeded through Parliament with very little debate. "The most important reason for the absence of significant debate was that all participants believed the proposals would add little if anything to the costs of the existing program." This belief was premised on an assumption that extension of coverage (more contributors) would enable the provision of a more generous benefit scheme without hindering the financial solvency of the UI system. It was acknowledged that "fluctuations in the government’s share under the scheme" might occur. To address the potential problems of intermittent claim increases the legislation would permit the government to advance a maximum of $800 million to the UI fund. The director of policy analysis and formation for the Unemployment Insurance Commission confidently asserted that the advancement ceiling represented "the worst possible case we could think of in terms of a deficit."

This confidence in the actuarial soundness of the proposed scheme warrants analysis. Essentially it signifies the presence of a continued, and perhaps intensified, trust that economic growth would maintain the financial integrity and solvency of the UI scheme. The Unemployment Insurance Act, 1940 rested on the assumption that periods of depression, and corresponding high claim rates, would be followed by periods of

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57 Pal, *UI. 71-81*, p. 81.
58 Ibid.
59 As cited in Ibid.
prosperity and a corresponding replenishment of the fund. This original basis of the solvency of UI remained in the proposals of Unemployment Insurance in the 70s. The financial soundness of the pre-reformed system is not questioned in Mackasey's proposals. His concern was simply to justify program extension. He assumed that "the contributions of people less likely to become unemployed would pay for increased benefits for the entire insured population." That assumption arguably implies that the original solvency principles remained intact and that contributory increases would enable more generous benefits. Presumably the new contributors would not put significant claimant stress on the system in difficult economic times. Therefore, it is apt to assume that economic progress continued to be the basis of the viability of UI for Mackasey and his colleagues in the Trudeau government.

The Unemployment Insurance Act, 1971 was made law in June 1971. Its benefit provisions took effect that same month and extension of coverage proceeded in January 1972. Coverage was extended to ninety-six percent of the labour force (only the self-employed were excluded), eligibility requirements were relaxed and benefit levels were expanded to two-thirds of insurable earnings. Maternity and sickness benefits were also included in the insurance scheme for the first time.61

The confidence in the actuarial and fiscal soundness of the new legislation was soon obliterated. Benefit levels were expected to increase by 4.03 per cent. The actual increase from 1971 to 1972 was 110.17 percent. This led to a cost of $854.8 million over and above the original budget estimates.62 The unexpected cost overruns were met by various damage control efforts. Freeloading was denounced by the Prime Minister and the ceiling on advancements to the UI account was removed so that the financial

60 Ibid.
61 Pal, SCB, p. 43.
62 Pal, UI. 71-81, p. 81.
obligations prompted by the Act could be addressed.\textsuperscript{63} Public criticism began to mount as the excessive confidence of the legislation was brought to light by the escalating costs. The government paid a high political price for their indiscretions by losing their parliamentary majority in the federal election of 1972. Some liberal Members of Parliament blamed the UI revisions for that loss.\textsuperscript{64} In subsequent years the Unemployment Insurance Act, 1971 became subject to revision and retrenchment. Bill C-69 (1975), Bill C-27 (1977), and Bill C-14 (1978) all contributed to a reduction of the generous provisions of the 1971 Act.\textsuperscript{65} However, the basic structure of the 1971 Act remained intact despite the revisions.

3.2 \textit{Unemployment Insurance in the 1980s}

At the close of the 1970s UI was put under the scrutiny of a departmental task force specially appointed to consider labour market aspects of the program. They produced a document entitled \textit{Unemployment Insurance in the 1980s}. The task force proposals were never implemented but are yet another example of the progressive assumptions undergirding UI in Canada.

\textit{Unemployment Insurance in the 1980s}, much like its 1970 predecessor, was developed to address the contingencies of expected labour market changes in Canada. While employment levels were expected to increase on a net level, regional and industry variances were anticipated.\textsuperscript{66} Strong growth was expected in western Canada and slower growth in central and eastern Canada. Technology was also expected to lead to growth in some industries and decline in others. Migration and dislocation of the labour force

\textsuperscript{63}Pal, \textit{UI. 71-81}, p. 85.
\textsuperscript{64}Pal, \textit{SCB}, p. 46.
\textsuperscript{65}Pal, \textit{UI. 71-81}, p. 86.
would, therefore, increase and UI would be needed to aid the transition. The task force asserted that

UI will be needed as income protection to cushion the effects of employment dislocations (the downside) and contribute to continued economic and social stability where these dislocations would otherwise be devastating to the people and communities involved. . . . UI will have to strengthen its capacity, as part of a national labour market strategy, to help realign Canada's human resources to take advantage of expected job opportunities (the upside).67

The objective of easing migratory transitions is obviously an effort to master such contingencies. In that respect Unemployment Insurance in the 1980s is in continuity with the progressivism of earlier UI innovations in Canada. Furthermore, the upside-downside language is a rhetoric of economic progress. Leslie Pal explains that "the task force report had assumed an 'upside' coinciding with the 'downside' of economic change in the 1980s; UI would smooth the shift from one to the other."68 The expectation of the shift undergirded the task force recommendations to strengthen the labour market provisions of UI. The expected shift from the downside to the upside is also indicative of a faith in economic progress. The task force's confidence in economic growth is evident in their assertion that there would be a net increase in employment levels.

Canada encountered a deep recession from 1980 to 1983. Any significant revisions to UI (manipulation, extension or retrenchment) became fiscally and politically unfeasible. The labour market transition proposals of Unemployment Insurance in the 1980s were, therefore, never implemented. Pal explains that "the assumption underlying the recommendations that UI should assist and encourage labour flows from dying industries and occupations to growing ones was negated by an economy that seemed to be uniformly in decline."69 This demonstrates that the proposals of the task force were

68Pal, UI, 71-81, p. 98.
69Pal, SCB, p. 46.

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contingent, both tangibly and theoretically, on the presence of a certain degree of economic growth.

3.3 The Forget Commission

The growth dependent nature of UI program development was given explicit expression in the next major review. The Progressive Conservative government of Prime Minister Brian Mulroney appointed a Commission of Inquiry on Unemployment Insurance under the direction of Claude Forget in 1985. The expressed mandate of the Forget Commission was reminiscent of the progressive intentions of past program reviews: "Its task was to examine how Unemployment Insurance can help Canada's economy to develop and its labour market to operate smoothly, how to make the system fair for everyone, and how to ensure that it offers the best possible help to Canadians who are temporarily unemployed." Labour market initiatives such as this were included in both Unemployment Insurance in the 70s and in Unemployment Insurance in the 1980s. The general objective to facilitate smooth labour market operation can be classified as an attempt to remove the contingencies associated with disorganization. Thus, the progressive drive to master chance is evident in such initiatives.

The principal features of the Forget Commission Report are coloured by the assertion that "fundamental transformation of the design of the program and of the structure of organization was essential" if UI was to be a viable and useful program. According to the Commission restructuring of UI was necessary due to technological and economic changes. Predictably therefore, the most significant changes proposed dealt with a human resources development strategy. This strategy "would include full employment as well as education and training; elimination of regionally extended

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70 Claude Forget, et.al., Commission of Inquiry on Unemployment Insurance Report, (Ottawa: Minister of Supply and Services, 1986), p. 3.
71 Forget, et.al., p. 5.
benefits," new methods of calculating benefits, elimination of fisherman's benefits and
administrative revisions. It was assumed that these revisions would create new
incentives, remove disincentives, and facilitate equality within the system.

The revisions were, in part, intended to restore "the integrity of Unemployment
Insurance as a program of social insurance." Governments had changed the insurance
basis of UI (benefits contingent on contributions) by injecting government revenue into
the program to provide subsidies to regions like the Maritimes. The Forget Commission
insisted that "the program must focus consistently on replacing some portion of earned
income for workers during period of unemployment. It should not be used to supplement
inadequate incomes, but rather to provide protection against specific risks - protection for
which they have paid premiums." The Forget Commission believed that a return to
insurance principles would strengthen and clarify the role of UI. An element of this
strength was certainly to be found in revised fiscal soundness. The changes were projected
to "save $3 billion, $2.8 billion of which would come from elimination of regionally
extended benefits." A corollary to the recommendation to renew the actuarial basis was
an affirmation that any removal of UI-based regional subsidies should be replaced by
other means to transfer funds to those regions.

The Forget Commission's renewed commitment to actuarial soundness and the
accompanying retrenchment measures did not lead to the promised fundamental
transformation. In fact the assumptions of economic progress and growth that had
undergirded UI policy to date are clearly affirmed in the report: "Nothing else can
succeed - including Unemployment Insurance reform - unless there is continued economic

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72Pal, SCB, p. 47
73Forget, et.al., p. 296.
74Ibid.
75Pal, SCB, p. 47.
A fundamental transformation of UI would require a revision of the foundational progressive assumptions implicit in the faith in economic growth.

The Forget Commission's efforts to introduce a fundamental transformation of UI were futile in a political sense as well. Shortly after the report was introduced the Minister of Employment, Benoit Bouchard, announced the government's disagreement with it. The report was submitted to a Commons Standing Committee for review and revision. Even after that revision Bouchard refused to make any fundamental changes to UI.77

The Forget Commission's focus on the labour market features of UI achieved limited legislative recognition in Bill C-21 (1990). "One of the important amendments introduced by Bill C-21 was a re-orientation of some unemployment insurance funds from 'passive' income support to payments of an 'active' nature that are intended to sponsor training and labour market adjustment."78 The changes were intended to thwart dependency on UI and prompt adaptation to labour market changes. The active premise of the 1990 revisions is in continuity with earlier hopes that UI would facilitate "a particularly productive match between worker and employer" and therefore "increase the length of employment."79 This method of mastering the contingencies of unemployment

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76Forget, et.al., p. 295. This trust in economic growth is perplexing in the context of the report. On the very same page that the previous quotation is found it is explained that growth in employment occurred primarily in times of economic transition. Employment growth of this nature failed to reduce unemployment by any significant amount. This was due primarily to loss of jobs due to technological innovation. Employment levels were also affected by increased participation in the labour force. The solution to this conundrum: a strong labour market strategy, and as the quotation suggests, economic growth. It is not explained how economic growth would solve the problems of unemployment where it had failed in the past.

77Pal., p. 47.

78Miles Corak, "Unemployment Insurance Once Again: The Incidence of Repeat Participation in the Canadian UI Program," in Canadian Public Policy, XIX,2, 1993, p. 163.

79Ibid.
was implicit in Beveridge's original designs for UI, and in the 1940 and 1971 Canadian legislation.

3.4 Present Proposals: *Agenda: Jobs and Growth*

In 1993 a Liberal government led by Jean Chretien heralded its intention to review social security programs in Canada. As the core of social insurance, UI too is up for review. Changes have yet to reach the legislative stage (expected in the fall of 1995) but the government has released a series of documents to publicize their basic proposals for reform. Progressive assumptions are evident in these preliminary documents. A rhetoric of economic progress is evident even in the series title: *Agenda: Jobs and Growth*. This less than subtle progressive allusion is also evident in the specific documents. Finance Minister Paul Martin expresses the tone of the government intentions in *A New Framework for Economic Policy*:

> There is no conflict between economic policy and the broader social objectives of Canadians - quite the contrary. Good social policy begins with a good job. And good jobs cannot be created by fiat. The central theme of this statement is that good jobs for Canadians can only flow from a productive, growing economy that possesses both the flexibility and the creativity to capitalize on the constantly emerging opportunities the world presents.  

Martin's comments here reveal that economic progress is a fundamental assumption in his government's approach to policy review and development. The goal is growth. This assumption is repeated in Martin's expression of government objectives: "The ultimate goal of the government's economic strategy is to foster the creation of more and better jobs for Canadians. This goal can only be achieved through sustained economic growth flowing from increased productivity and complimented by measures to reverse the decades-long rise in Canada's core unemployment rate." The core of the government's social policy objectives, then, are inextricably tied to sustained economic growth. This

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81 Martin, p. 35.
trust in economic growth, as explained earlier, is a fundamental tenet of liberal progressivism.

The Chretien government's recommendations for social security reform are outlined in *Improving Social Security in Canada*, a report prepared under the direction of Lloyd Axworthy, Minister of Human Resources Development. Axworthy's arguments for reform are similar to those put forward in past policy development documents: technological and concomitant economic changes have been fundamental in scope and, therefore, necessitate fundamental restructuring of social security programs.82 Mackasey, Forget and others made similar statements.

The pursuit of growth and jobs is Axworthy's primary intention. However, he acknowledges the profound challenges to these objectives. One of the fundamental economic changes recognized in *Improving Social Security in Canada* is a "decoupling of economic growth from job growth" in a vast majority of industrialized countries.83 This results in the development of structural employment which is immune to the growth corrections associated with upsides in the business cycle. Axworthy recognizes that UI was originally designed to address the contingencies of cyclical unemployment. The emergence of a significant degree of structural, or non-cyclical unemployment imperils the original objectives of UI. Axworthy argues that reform of UI to enable mastery of these new structural economic contingencies is central to the government's agenda for social policy.84 Essentially Axworthy indicates that the traditional trust in economic growth must be tempered with a renewed vigorous quest to master emerging economic contingencies.

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83 Axworthy, p. 16.
84 Axworthy, p. 42.
Improving Social Security in Canada proposes a focus on labour market development as an approach to the daunting task at hand. This reform tactic is certainly reminiscent of past reform efforts. Axworthy favours the creation of employment insurance as opposed to unemployment insurance.85 This revision of UI would lead to a focus on labour market objectives. Axworthy proposes the following:

A smaller, better-targeted UI program would permit funds to be reallocated to reducing employer and employee premium rates, and to strengthening our investment in employment development services. Lower payroll taxes encourage employers to add jobs because the cost of hiring people is reduced. Better employment development services help workers adapt to the changing labour market.86

One approach suggested to meet these general objectives is a redesign of UI benefit structures. A two-tiered approach would be established. First a Basic Insurance system, modeled after conventional UI, would be set up to deal with the needs of those who encounter occasional unemployment. Secondly Adjustment Insurance would be implemented to address the more complex matter of meeting the needs of those affected by structural or frequent unemployment. The Adjustment Insurance proposals are focused on labour market objectives specifically: duration of benefits could be flexible: to allow sufficient time for re-training. Access to employment development programs would be provided to recipients. Axworthy even suggests that receipt of benefits could be tied to participation in such re-training initiatives. Concerns for the financial viability of the UI program are reflected in recommendations to limit benefit levels and subject recipients to an income or needs test. Savings from these measures would be reallocated to new employment development services, such as individual counseling and re-training initiatives.87

"Decisions on each of these issues must take into account the overriding goal of reforming the Unemployment Insurance program.... The goal is to structure the program so that it is fair to all and provides the right opportunities to help people end

85 Axworthy, p. 43.
86 Axworthy, p. 42.
87 The proposals for these new services are outlined in Axworthy, pp. 32-38.
their insurance claims, and gain secure employment.\textsuperscript{88} Presumably these changes, which include significant retrenchment measures, will facilitate mastery of emerging structural economic and unemployment problems.

The stated goal of the Chretien government is to create jobs and growth. Lloyd Axworthy explicitly admits that structural factors have hindered employment creation in periods of growth. In \textit{Improving Social Security in Canada} it is evident that Axworthy assumes that revisions to UI and other forms of social security will address part of the structural basis of this problem. Removal of impediments to employment creation (high pay-roll taxes like UI premiums), and a new incentive and empowerment focus for UI are expected to facilitate the creation of new jobs and promulgate renewed economic stimulus or growth. Presumably these program adjustments will restore the linkage of economic growth and job creation that was lost due to structural economic change. This suggests that the expectation of economic growth remains a fundamental tenet of social policy for the Chretien government. Axworthy argues that social programs should "actively create opportunity for Canadians and, in so doing, help drive economic growth."\textsuperscript{89} This underscores again, the relationship of social policy to economic progress that has been alluded to throughout this chapter. It is also in continuity with the liberal-progressive assumption that social policy is an important element of economic progress.

4. Summary: \textit{Liberal Progressivism and Unemployment Insurance}

In chapter one of this study I described two general hallmarks of liberal progressivism: the drive to mastery of chance and a faith in economic progress. These two principles are key elements of another fundamental tenet of liberal progressivism: that social and economic progress are closely linked. Economic growth is that which makes

\textsuperscript{88}Axworthy, p. 47. Note: all references to the specific proposals for \textit{Adjustment Insurance} are found on pp. 46-47.
\textsuperscript{89}Axworthy, p. 9.
mastery of economic contingency through social policy possible. Initiatives of the mastery of contingency also serve to stabilize economies so that economic growth is possible. In this chapter I have surveyed a number of significant UI policy development initiatives with a view to understanding the significance of liberal progressivism in those developments. William Beveridge's definitive expression of liberal progressivism in *Social Insurance and Allied Services* colored British social insurance legislation for years to come. His prescriptions for social insurance were transferred to Canadian policies because of political and bureaucratic interactions on the subject between Britain and Canada. While it is difficult to document the magnitude of Beveridge's influence on Canadian social insurance it is clear that liberal progressivism was influential. Analysts have argued that Canadian social welfare theory is not indigenous but clearly based on the thought of Keynes and Beveridge. This influence was manifest in the *Marsh Report* and the subsequent *Green Book* federal government policy proposals. The objectives of economic growth and mastery of economic contingency were manifested in the development and expansion of social security programs after World War Two. UI policy developments since 1970 are also characterized by the dominating themes of mastery and growth. The presence of the objectives of growth and mastery in these documents leads to the conclusion that they are in continuity with the assumptions of liberal progressivism. Canadian UI is based on the assumption that mastery is possible because of growth - Claude Forget expressing it most vividly. Lloyd Axworthy's proposals for UI and social security reform appear to indicate that growth is contingent on mastery of structural conundrums. In either case it appears that the income security objectives of UI are inextricably linked to broader economic objectives. The ironies of this relationship have been mentioned in this chapter. In the next chapter I shall explain those ironies by arguing that the linkage of UI to broader economic objectives imperils the viability of the program.
Chapter Four

An Appraisal of the Impact of Liberal Progressivism on Unemployment Insurance and the Prospects for Foundational Alternatives

I shall attempt to answer two fundamental questions in this chapter: Firstly; what were the tangible effects of liberal progressivism on unemployment insurance policy in Canada? Secondly; what are the prospects for the development of an alternative foundation for unemployment insurance? The broad implications of the liberal progressive pursuit of mastery and growth can be summarized as follows: it fostered a climate of rising expectations in economics, social development, politics, industry and culture. The pursuit of economic growth through industrial expansion became the primary means of fueling and satisfying these rising expectations. In that context social policy, such as unemployment insurance, has become characterized by its relativity to the primal goal of economic growth. Essentially, the pursuit of mastery-through-economic growth has led to the subordinance of social policy to the imperatives of economic policy. This leads to the conclusion that an alternative foundational approach to unemployment insurance policy development is necessary. New foundational approaches to UI reform should be cognizant of the profound integration between economic and social life. The theories of sphere sovereignty and public justice, developed in the neo-calvinist tradition, are a potential alternative foundation for unemployment insurance. These theories are specifically designed to avoid the reductionistic tendencies that are common to liberal progressivism. However, it must be acknowledged that implementation of an alternative
foundational approach to unemployment insurance is a broad and difficult task given the prevailing dominance of liberal progressivism in Canada.

1. Impact Appraisal

Western society has patterned and adjusted itself into a consistent and goal-oriented system for the promotion of economic and technological progress. As a result, it exerts permanent pressures of adjustment on our lives. This 'objectification' of western man as 'object' of progress is inseparably connected with both his aims at rational domination of the entire world as well as his faith in progress which moves its adherents to utter dependence upon the guides and sovereign powers which they themselves have chosen. To speak of the 'fate' of progress is, therefore, an incorrect assessment of the true position of western man, as if he were pursued by an external calamity in spite of his own good will. What will befall him was brought into motion by himself.1

1.1 Economic Growth and Systemic Stability

The preceding chapter established that liberal progressive motifs were prominent in the development of unemployment insurance policy. The most significant of which were a commitment to mastery of contingency and to the pursuit of economic growth. UI, as developed since 1940, is contingent on the prevalence of economic growth for its sustainability. Essentially, economic growth is that which makes mastery of economic contingency (in this case, income security through UI) possible. This was specifically manifested in UI funding arrangements. The maintenance of UI fund solvency was originally predicated on the assumption that periods of low employment - down turns in the business cycle - would be followed by periods of higher employment - high points of the business cycle. Financial stress to the UI fund during low employment periods would be redressed by increased receipt of premiums in employment level up-turns. This leads to the conclusion that "social security without stable employment [is] simply not possible."2

Employment levels were expected to fluctuate somewhat in the ebb and flow of the business cycle but had to remain relatively stable if UI was to remain viable. Economic growth is then, the primary means to achieve the goal of mastery in liberal progressive societies like Canada. Growth is the panacea for economic contingency such as unemployment.

Bob Goudzwaard explains that "the societal system of the western countries is so deeply rooted in unlimited growth that any reduction in its tempo of expansion quickly results in fatal dangers for the internal stability of this society." Growth is then imperative to systemic (social, economic) stability. Goudzwaard explains that the demands of this imperative motivated industrial expansion and technological development. This drive to mastery of chance through economic growth has an ironic, even paradoxical twist. In an effort to be free, western humanity essentially becomes enslaved to the drive to mastery. Goudzwaard explains the irony: The western person

is no longer that autonomous subject who can sovereignly set processes in motion and who can also sovereignly, at a moment of his own choice, stop these processes again. To the contrary, western man, as a result of the process which he has initiated, is now caught in the predicament of being managed rather than of being the manager. Progress, the work of our own minds and hands, is not a neutral entity that stands outside of our life and thought; it is a force that has penetrated profoundly into every fiber of our existence.

This broad societal conundrum is, as I shall argue, manifested in UI developments. UI was developed to enhance freedom and economic stability by maintaining income security in the event of interruptions in wage-earning. However, the pursuit of economic progress has created certain new contingencies that lead to the subordination of social policies like UI to broader economic objectives.

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3Goudzwaard, C&P, p. 142.
1.2 The Development of Growth Resistance

The economic thought of progressive liberalism is characterized by an assumption that stable growth will lead to stable levels of employment even in the ebb and flow of the business cycle. There is, however, a strong empirical indication that this assumption is not an immutable premise of economics. In fact, recently there has been a recognition that unemployment rates fail to decrease in periods of economic growth. This leads to the conclusion that unemployment has become resistant to the cure of economic growth. The implications for UI, a system founded on the perceived relationship between stable growth and stable employment, are perilous indeed. A consideration of structural (non-cyclical) unemployment illuminates this problem vividly.

The development of structural unemployment is integrally related to the evolving pursuit of economic growth. Technological innovations since the Industrial Revolution have been motivated by the goal of increasing efficiency in production so that more goods can be produced at a lower cost. This enhances business competitiveness, an essential element of the pursuit of economic growth. Increased production levels lead to short term gains but in the long term can lead to stagnation in demand because of market saturation. Lack of demand leads to production cuts and concomitant reductions in employment levels. Reinvigoration of demand can, presumably, lead to a renewal of previous employment levels. However, technological innovations in efficiency and productivity lead to a new economic conundrum. Continual improvements in efficiency and productivity eventually lead to a reduction in the demand for labour.\(^5\) Simply put, "when

\(^5\)The impact of technology on unemployment levels was not immediate. Initially it led to the restructuring of labour intensive industries. New jobs in new industries allowed maintenance and growth in employment levels. This continued even in the context of expansion in labour market participation (primarily by women) in the post-war era. However, Bob Goudzwaard and Harry de Lange indicate that a disturbing trend is developing: employment levels continued to increase during the boom years of the 1980s, but a large portion of that growth occurred in non-standard job sectors (part-time, temporary). Thirty-four percent of total employment consists of such non-standard jobs.
the percentage of growth in productivity surpasses the percentage of growth in the GNP ... then jobs are lost."6 Increased demand levels that are common to strong economic growth cannot redress such job losses because production levels can be maintained by a smaller labour force. This leads to the phenomena known as structural unemployment. "The word *structural* - in distinction from *cyclical* - implies that the problems we face are integrally connected with the structure of the western economy."7 The problem of structural unemployment appears to be impervious to the solutions of economic growth. Ironically then, structural unemployment is, in certain significant respects, a result of the pursuit of economic growth through technological innovation.

The phenomena of structural unemployment has significant implications for unemployment insurance. The failure of economic growth to remedy high unemployment levels leads to increased reliance on the UI system. This necessitates significant increases in UI benefit disbursements. Between 1982 and 1991 government expenditure on UI rose by 71 per-cent. In the same period the gross national product - put crudely the measure of national economic growth - increased by 31 per-cent.8 This forty per-cent discrepancy indicates that economic growth has not decreased reliance on UI benefits, giving reason to believe that a large proportion of unemployment is immune to the remedy of economic growth.

The Economic Council of Canada has claimed that half of those who have part time jobs are in their situation involuntarily. They would prefer more work. Unemployment statistics do not indicate the incidence of such underemployment. It appears then that there is a discrepancy between production increases and employment growth - Goudzwaard and de Lange explain: "Between 1970 and 1990, the value of production in Canada increased by over 200 per cent, while labour input, in the form of total working hours increased by only 50 per cent." So, while it appears statistically that employment levels have risen, the gains are somewhat hollow in significance to workers. Economic growth does not necessarily do away with the employment and income contingencies of those who are involuntarily employed part time. See Bob Goudzwaard, Harry de Lange, *Beyond Poverty and Affluence: Towards a Canadian Economy of Care*, (Toronto: University of Toronto Press, 1995), p. 35.

6Goudzwaard and de Lange, p. 36.
7Goudzwaard, *C&P*, p. 130.
8Yalnizyan, p. 15. Total government expenditures increased by only 25% in the period.
growth. The dramatic increase in expenditures has a profound impact on the UI scheme's character. Courchene and Stewart explain that "UI is much more than an insurance program - it has become part and parcel of Canada's 'permanent' redistributinal system." This implies that preservation of a UI scheme is now dependent on a significant degree of government participation and greater total expenditure. When this phenomena is coupled with the increasing globalization of the Canadian economy it is clear that retrenchment of UI will follow.

1.3 Unemployment Insurance, the Global Economy, and Government Debt.

The pursuit of economic growth through international trade has expanded significantly throughout the world. Expansion of the General Agreement on Tariffs and Trade (GATT) and the development of the North American Free Trade Agreement (NAFTA) have contributed to a globalization of the Canadian economy. Globalization of the economy is also furthered by the recent advancements in informational and communications technology. These developments contribute to an economic restructuring that has profound consequences for UI policy.

As a party to the NAFTA, Canada is part of the international trend of openness to expanding levels of international trade. Canada's participation in this free trade trend is undoubtedly motivated by the expectation that it will contribute to prosperity in Canada. It is certainly much too early to determine the plausibility of such a presumption, but it is possible to understand the implications of this latest pursuit of economic growth for social policy like UI. Michael O'Higgins introduces the problem in the following passage.

More open trading structures lead to an increased focus on competitiveness and that in turn, can be seen as a major challenge to the ability of individual countries to maintain their social welfare structures (and the costs they impose) in the face of greater competition from equally developed countries with more limited social provision (such as

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The United States) or from developing countries (such as Mexico). The argument is most starkly put from the employment costs perspective - e.g. 'can we compete if our payroll taxes are 10 percentage points higher than our neighbours?'

The tripartite funding arrangements (employers, workers, and government contribute) of UI make it a significant payroll tax. In 1991 UI benefits totaled $18 billion. "This amounts to roughly $700 per Canadian or a payroll tax of about $1500 per year (shared between employer and employee)." This high rate can have potentially adverse effects on Canadian competitiveness in the global economy. Given the primacy of the pursuit of economic growth, it follows that changes in UI policy must be introduced so that such a drag on competitiveness can be redressed.

The current government makes specific references to the need for Canadians to adapt to the global economy. The following statements are found in Finance Minister Paul Martin's *New Framework for Economic Policy*: "A strategy to foster economic growth and job creation in Canada cannot exist in a vacuum. It must be set in the context of a 'global village' of growing interdependence." Factors like globalization and technological development "are combining to increase dramatically the scope and intensity of economic competition." "Economic progress depends on the ability and willingness of individuals and businesses to embrace new opportunities. The growth of jobs and incomes relies on this fundamental process of adaptation." These three statements indicate a firm assumption that the continued pursuit of economic growth requires decisive measures of adaptation to the imperatives of the global economy. In such a context "the price of maintaining an adequate structure of welfare institutions will be the

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12Martin, p. 1.
13Martin, p. 2.
14Martin, p. 47.
ability to adapt and modify them in response to the imperatives of global competition."\textsuperscript{15} Lloyd Axworthy explicitly recognizes the forces of globalization and technological innovation as "the context of reform."\textsuperscript{16} His proposals for UI and social security reform, as outlined in the previous chapter, focus on means to enable Canadian workers to adjust to economic change. Reductions in the size of the UI program are seen as an important element of reform to that end.\textsuperscript{17} This can be interpreted as a retrenchment initiative that is a response to the imperatives of the new economy. O'Higgins explains that "Structures that inhibit adjustment or adaptation to improve ... competitiveness will eventually lead to cuts in social spending."\textsuperscript{18} This is certainly a valid interpretation of the context of Axworthy's proposed changes and other UI retrenchment initiatives that have been introduced recently.

The continued pursuit of economic growth in the global economy has led to the subordinance of UI to the imperatives of economic policy. This is evident in initiatives to improve competitiveness, such as labour market development strategies and reductions in payroll taxes and the accompanying reduction in the size of the UI program. The subordination of UI policy to economic policy is also evident in recent trends of fiscal restraint which are a part of efforts to improve economic conditions. Such initiatives are methods of mastering of economic contingency that are ultimately designed to facilitate economic growth. This again indicates a perplexing irony in Canadian UI and economic policy: the social security programs which were designed to master economic contingencies are now considered to be impediments to economic growth. Essentially,

\textsuperscript{15}O'Higgins, p. 4.
\textsuperscript{17}Axworthy very clearly calls for "a smaller and better targeted program" and insists that reduction in program costs is a critical issue in any UI reform initiative. See Axworthy p. 42.
\textsuperscript{18}O'Higgins, p. 3.
mastery initiatives like UI are now considered to be potential contributors to economic contingency and are, therefore, subject to retrenchment. This lends credence to Goudzwaard's assertion that humans are no longer the managers but the managed. This becomes evident in a consideration of the relationship between government debt and UI retrenchment.

The federal debt has grown significantly in recent years. This has a definite impact on social policy. Government expenditure on debt servicing expanded by seventy-nine percent between 1982 and 1991. The expansion of debt servicing expenditure means that reductions in other spending must follow. In 1990 the UI program was subjected to retrenchment measures (reduced eligibility and benefit levels) that were designed to reduce program costs. However, the increased severity of structural unemployment meant that the retrenchment measures failed to meet the cost reduction objectives. This leads to the expectation that further retrenchment could occur to meet fiscal objectives. This retrenchment trend is reflected in Axworthy's assertion that "any reformed social security system must meet the test of affordability, both now and in the future. A social security system that is financially unsustainable is a dead end. Therefore social security reform must in part entail making difficult choices about the best use of available funds." These difficult choices will most certainly include reductions in UI expenditure.

The debt presents a second problem that is also related to cost-cutting measures. The large volume of debt means that the government must turn to foreign investors for financing. This means that Canadian budgetary policy must be sensitive to the concerns of investors. Government policy initiatives that are "at variance with the demands of an

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19 Incidentally, the debt level tripled in the 1980s despite seven years of strong economic growth. See Courchene and Stewart, p. 151.
20 Yalnizyan, p. 14. This is the fastest growing area of government expenditure
22 Axworthy, p. 26
increasingly global economy are punished by the flight of international investment capital and higher interest rates."\textsuperscript{23} Deficit cutting initiatives are, therefore, designed to placate the fears of foreign holders of Canadian debt.\textsuperscript{24} Presumably, if governments fail to convince international lenders that they are committed to deficit reduction then debt servicing charges will increase substantially. This would lead to new reductions in program spending. Furthermore, it would result in interest rate increases that could lead to demand deficiencies which imperil economic growth. Interest rate increases also lead to higher business costs. This adversely affects profit margins and competitiveness in the global economy. Government is, therefore, compelled to pay attention to the demands of international investors in order to maintain and develop a context of economic growth. This leads to the conclusion that Canada has become mastered by economic forces in the context of pursuing mastery by economic growth.

A harmful reductionism has been manifested in current approaches to UI. Consideration of the forces of economic globalization, the imperatives of competitiveness and of deficit reduction make it clear that social expenditures like UI have become subordinated to broader economic objectives. All UI policy development initiatives since the burgeoning of the federal debt and the conclusion of the U.S.-Canada Free Trade Agreement have included measures to reduce UI costs. This, I submit, indicates a trend in UI policy that can be expressed as follows: "the ability and, more importantly, the willingness to finance these social expenditures declines because they are perceived as running counter to the economic goals" of global competitiveness and fiscal restraint.\textsuperscript{25}

\textsuperscript{23}Monique Jerome-Forget, "Governing in the 90s and Beyond," in Policy Options, 16, no. 15, 1995, p. 3.
\textsuperscript{24}Media reports around the time of the 1995 Federal budget indicated that Moody's, a prominent grader of international debt, would down grade the rating of Canadian government debt unless significant measures to reduce its deficit were introduced. This would have increased debt servicing costs and general interest rates.
\textsuperscript{25}Courchene and Stewart, p. 151.
This hierarchy of policy suggests that UI and other social security initiatives are in a tenuous position as long as they remain subordinate to the objectives and imperatives of economic growth.

1.4 The Perils and Implications of Policy Hierarchy

I have indicated that liberal progressivism assumes that economic growth will eventually alleviate socio-economic contingencies that arise during the pursuit of prosperity. It follows that the emergence of unanticipated problems like growth-impervious unemployment, will imperil the pursuit of social objectives. It appears that this problem is manifested in UI policy today. Claude Castonguay lays bare the impact of liberal progressivism on social policy like UI. "In a society in which economic growth dominates other national priorities, it is virtually inevitable that programs or measures designed to redistribute wealth are doomed to at least partial failure."26 This implied hierarchy of policy threatens the viability of programs like UI. This, I submit, is problematic. It must be granted that governments need to establish policy priorities to meet certain social and economic objectives. However, if one considers income maintenance to be a political good then such objectives should not be permanently subordinated to the policy imperatives of economic growth.

On a tangible level the policy hierarchy of the primacy of growth results in UI retrenchment (because it has conflicted with growth pursuits). At a deeper level, however, this subordination of UI to broader economic objectives implies that a particular goal - the mastery of chance through economic growth - has taken on normative status. Thus it appears that liberal progressivism has a profoundly religious and totalizing significance. The policy hierarchy that imperils UI is, then, simply an element of a larger

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problem. Bob Goudzwaard explains the chilling implications of a liberal progressive perception of normativity in his description of a closed society:

Closed society certainly has the noble aim to lead human kind to future freedom. But because of its spiritual moorings, the only avenue open for our society to pursue this freedom consists in the domination imposed by progress over every detail of our social life. . . . We can describe a closed society as one which combines strict organization with all-encompassing and hence all-dominating concrete purposes (such as mastery and growth). The term tunnel society is perhaps even clearer since it evokes the image of a society in which everything - people, institutions, norms, behaviour - contributes to the smooth advance toward the light at the end of the tunnel. But the end of the tunnel never appears to be within reach; the light shines forever in the future. Nevertheless, it keeps everything and everyone in the tunnel on the move.

The liberal progressive promise of freedom through mastery and growth is, therefore, entirely hollow. Virtually everything (for example: UI, education, work and leisure) becomes subordinated to the greater good of mastery through growth. Human beings are simply co-opted into the tunnel quest and, therefore, have little meaningful freedom. So the primacy of mastery and growth that has characterized recent UI developments is, arguably, a broad and ultimately religious, phenomenon. Any realistic consideration of foundational reform of UI must take account of this.

2. Foundational Change: Elements and Prospects

Liberal progressivism is, essentially, a religious creed that has come to undergird a vast array of government policy. Therefore any attempt to change the foundation of UI policy is, at root, a religious endeavour.

2.1 The Elements of Foundational Change.

The darkness which envelops the western world because of its long dedication to the overcoming of chance is . . . a fact. Thinkers who deny the fact of that darkness are no help in illuminating a finely tempered practice for the public realm. The job of thought at our time is to bring into light that darkness as darkness. If thinkers are turned way

28 I have argued that liberal progressivism is based on a faith affirmation as much as a conventional religion is. For a detailed explanation of the religious nature of liberal progressivism please refer to chapter one of this study.

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The mastery-through-economic growth assumptions of liberal progressivism were generally considered to be necessary solutions to economic contingency. The ubiquity of that perception is one reason why substantive foundational change to unemployment insurance has yet to materialize. Recent tinkering with UI and economic policy in the interests of promulgating new economic growth is simply not fundamental in scope. The mastery-through-growth paradigm remains intact in such approaches to reform. That paradigm has been so pervasive that alternatives to it have rarely been debated or seriously heeded in the halls of policy making. Thus, as Grant indicates in the preceding quotation, the starting point of any foundational reform initiative is in revealing, by means of critique, the darkness created by the present foundation. I have attempted to provide such an illumination in section one of this chapter.

The hegemony of liberal progressive goals has subordinated UI to the objectives of economic growth. It is, therefore, necessary to ensure that a static policy hierarchy is avoided in a renewed approach to UI policy. While the goal of economic growth can serve a valuable social function, it is critical to realize that dangers arise when such a goal is absolutized by giving it normative status. In fact, the pursuit of mastery-through-economic-growth led to the new and perplexing contingencies of a tunnel society - a society in which the pursuit of mastery through economic growth had a totalizing scope that is harmful to genuine human freedom. Faith in mastery led liberal progressives to assume that the means to income security (economic growth) were the ends. Economic life is dynamic and multifaceted. Therefore, any presumption that a single cure can master any contingency is clearly misguided. The presumptions of mastery then, should be

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29 George Grant, "The computer does not impose on us the ways it should be used," in Beyond Industrial Growth. Abraham Rotsenstein, editor, (Toronto: University of Toronto Press, 1976), pp. 130-131.
30 That pervasity is evident in the survey of UI policy development documents provided in chapter three of this study.
replaced by clear understanding that economics cannot provide immutable solutions to economic contingencies.

2.2 A Public Justice Foundation

The preceding theoretical antecedents to UI reform should undergird attempts to achieve a revised foundation for UI policy. The reductionisms of the liberal progressive foundation of UI should be replaced by policy initiatives that are guided by an acknowledgment of the integration between social and economic life. In his considerations of norms for economics, Bob Goudzwaard implies that there is a non-hierarchical relationship between social and economic life. He says that "economic life ... is a creation of God and forms an integral part of man's calling. As such economic life is entitled to have its own development. But it may never be divorced from its purpose and destination to be an expression of genuine solidarity between men, nor from its obligation to serve God and neighbour." Goudzwaard clearly seeks to avoid an undue prioritization of specific economic policy goals in society. His theory of the scope of economics is, then, an element of an alternative and non-reductionistic foundational approach to UI policy development. However, this description of economic life must be understood in the broad foundational context of sphere sovereignty and public justice.

Clarification of the role of the state is an important part of a revised foundational approach to public policy development. The neo-calvinist tradition in Christianity has long asserted that government has a duty to uphold public justice. The principle of public justice is related to the theory of sphere sovereignty: The world, it is argued, consists of intersecting spheres of life. These spheres of life are manifested in human institutions (such as churches, businesses and garden clubs), each of which possess an intrinsic law of

life. Each sphere then, has a particular manifestation of justice within it, a particular realm of competence, responsibility and sovereignty. Abraham Kuyper explains that these spheres intersect like cogwheels, and precisely in acting upon one another and in meshing with one another, they produce the rich, multifaceted variety of human society. But this also brings with it the danger that one sphere in life may break in upon another like a jerky cogwheel that shears off one cog after another until the operation of the entire machine is disrupted. This danger constitutes the rationale for still another sphere of authority, that of the state. The state must make it possible for the various spheres, insofar as they manifest themselves externally, to interact appropriately, and to keep each sphere within its proper limits.32

Public justice then, refers to the state's duty to maintain justice amongst the various spheres. Each sphere is an integral part of the whole and should not, therefore, be prioritized or minimized by government or any other sphere.

The pertinence of this theoretical construct for an approach to UI needs explication. The scope of public justice has been explained in the following way: The state performs its duty by "upholding a just social order, ... assisting with relief in emergencies, and ... acting to bring about fundamental reforms where patterns of injustice exist."33 Interruptions to earnings most certainly precipitate emergencies in the lives of persons and families and, at least partially, result from patterns of injustice associated with the primacy of economic growth. Therefore, I contend that the income maintenance provisions of UI are an appropriate function of a government that is concerned with public justice and the norms of economic life. This is not to say, however, that income maintenance is necessarily a permanent and universal duty of government. Unemployment is often a result of economic difficulties that are beyond the control of individuals and businesses. The state should provide for income maintenance to address the emergencies that unemployed people experience in such situations. But when

unemployment is a result of a breach of responsibilities by individuals or businesses the
state should compel the parties to return diligently to their duties in the interests of public
justice. In those situations income maintenance provisions should not be a primary policy
concern.

Roy Clouser makes the following perceptive points concerning state responsibility
for matters associated with economic injustice.

If it is possible for the state to correct public economic injustices without overreaching its
own proper responsibilities, then it should clearly do so. But if it begins to violate those
limits in the name of economic justice, it can easily become totalitarian. In that case a
greater monster will have been created to combat a lesser one. Thus the state must
approach economic injustice with the same respect for the distinctness that should
characterize all its policies. It must recognize that as a state, it does not generate wealth or
... goods and services . . . Any policy which would call the state itself to attempt to create
the goods and services which its citizens need, would be self-defeating.34

This implies two things that are pertinent to our discussion. First of all the state has a
duty to pursue economic public justice. Thus, UI can be considered a legitimate
expression of public justice. Secondly, the clear limits of the pursuit of economic justice
that Clouser argues for, imply that a particular policy goal must not become overarching.
For instance, economic growth as a remedy for economic injustice must not become a
primary and permanent objective of government policy. Public justice does not stipulate
permanent and specific goals for public policy. Thus, states must not assert static and
immutable policy goals. For instance, economic growth could be an adequate fiscal basis
of income maintenance programs like UI at a given time. But when economic conditions
change (growth impervious unemployment) it becomes necessary to change that basis so
that important needs can be addressed properly. If these guidelines are heeded a goal
such as mastery-through-economic growth will not ascend to normative status. Hence,
the prioritization of economic policy over social policy could be avoided. This leads to

34 Roy Clouser, The Myth of Religious Neutrality. (Notre Dame: University of Notre

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the conclusion that public justice is a plausible and meaningful alternative foundation for socio-economic policy like UI.

2.3 Prospects for Tangible Foundational Reform: Preliminary Considerations

A revised foundational approach to UI policy needs tangible expression if it is to provide meaningful solutions to the problems facing the system. Thus, policy experts should develop proposals for UI reform that are shaped by the principles of public justice. At the very least, their proposals can serve as a critique of the liberal-progressive foundation of UI. In an ideal situation thoughtful and constructive public justice proposals for UI reform can contribute to policy change and, thereby, begin the process of foundational revision. However, it must be acknowledged that the pervasiveness of liberal progressivism in Western culture jeopardizes the possibility of implementing foundational changes to UI policy. What follows then is only a preliminary consideration of the prospects for tangible foundational reform of the UI system in Canada.

The principles of public justice inform the recent UI policy proposals of Citizens for Public Justice (CPJ), a Canadian public policy research and advocacy organization. CPJ's approach to socio-economic policy is founded on a belief that social, environmental, and economic policy are profoundly integrated.

Integrating social, economic and environmental policies means applying the same set of norms to each of them. Social, economic and environmental policies are inter-connected as a matter of fact. Policy integration goes further and requires that they be linked in a way that promotes justice and stewardship. In the case of the UI employer premium structure, then, CPJ's approach requires that it be examined to determine how it could be designed to be both fiscally fair and economically stewardly, thus insuring that financing of the program does not exacerbate the social and economic problems that the program is intended to address.35

To that end CPJ proposes that UI financing be "changed from the current pay-roll tax method of levying premiums to a broader basis."36 The current financing system rewards industries who shift away from labour-intensive production to capital-intensive methods. Firms who pursue such a course of action lay off workers and no longer pay premiums for those workers. Hence, their contributions to the UI program diminish. Thus, "the burden of financing the UI program falls disproportionately on labour-intensive firms. This . . . [has] the effect of raising firms' labour costs, thus discouraging employment creation."37 This indicates, of course, a negative integration between UI and broader objectives of employment creation. To redress this problem CPJ suggests that companies pay UI premiums on capital income as well as on the basis of their pay-rolls (the current method). Under such an arrangement "Capital-intensive firms would be left with a larger proportion of the total employer premium burden than at present, and labour intensive firms would be left with relatively less."38 This means that the drag on employment that was created by the pay-roll tax premium system would be done away with, at least on a national basis. Furthermore, UI would have a broader funding basis under this proposal and would, therefore, have new financial viability.

CPJ's proposals are explicitly based on a conviction that social and economic policies are integrated. That affirmation is intrinsically adverse to any notion that economic policy should take priority over social policy. Thus CPJ appears to stand in opposition to the liberal-progressive foundation of UI. Even in the context of the primacy of liberal progressivism CPJ is able to propose constructive and viable proposals for UI reform that are true to their convictions, and at least potentially acceptable to policy makers. This, I

37Peters-Woods, p. 113.
38Peters-Woods, p. 111. It should be noted that these proposals are influenced by the work of Goudzwaard and de Lange.
submit, is one way to pursue foundational change to UI in the midst of a liberal-progressive consensus.39

3. Epilogue

Unemployment Insurance is imperiled by the liberal-progressive faith in mastery-through-growth. The overriding objective of economic growth has subordinated UI policy to the imperatives of economic policy. This has led to UI retrenchment even in the context of high unemployment. My dissatisfaction with this retrenchment trend has motivated the attempts, in this thesis, to discover the roots of the UI crisis and to propose an alternative foundational approach. The principles of public justice are, I submit, a viable foundational approach to UI, that expressly seek to avoid the reductionsims that are manifest in the liberal progressive faith in the mastery-of-chance-through-economic growth. Finally, it is important to acknowledge that the theoretical conclusions of this thesis must be explicated further in the development of tangible proposals for UI reform. This thesis then, is only a preliminary step in efforts to promulgate the foundational reforms that are essential for the viability of unemployment insurance in Canada.

39However, it remains to be seen how successful CPJ's alternative approach to UI reform will be in affecting substantive policy change. The prevailing governmental concerns with global competitiveness and fiscal restraint may well mean that proposals for the expansion of the funding basis of UI will be rejected. Nonetheless, I affirm that such efforts are significant in themselves as critiques of the current foundational approach to UI policy development.
Works Cited


