

Trade Union Investment Funds:

The Emergence of a New Idea and Its Realization  
in Sweden, Italy and Quebec

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The thesis examines the emergence of a new idea - trade union investment funds. The thesis looks at their establishment in Sweden, Italy and Québec in the years 1983-84. The thesis aims to compare these three funds, the first three in the developed countries, and attempts to explain the reason for the important differences between the funds. The thesis situates the funds within the overall concept of economic democracy and traces a brief historical sketch of the development of this idea. The evolution of the general fund idea is exposed as is the debate over the significance of the funds in intellectual, political and union circles. The thesis examines whether the funds, particularly the Swedish version, represent a step forward towards socialism, yet a further integration of the working class into advanced capitalist society or an attack on democratic pluralism.

La thèse examine l'émergence d'une nouvelle idée - les fonds d'investissement contrôlés par les syndicats. La thèse regarde leur établissement en Suède, Italie et au Québec dans les années 1983-84. La thèse vise à comparer ces trois fonds, les premiers fonds dans les pays développés et vise aussi à expliquer les raisons pour les différences importantes entre les fonds. La thèse situe les fonds à l'intérieur du concept de la démocratie économique et trace une brève esquisse historique du développement de cette idée. L'évolution de l'idée générale des fonds est raconté ainsi que le débat sur la signification des fonds dans les cercles intellectuels, politiques et syndicaux. La thèse examine si les fonds, particulièrement la version suédoise, représente un pas vers le socialisme, une nouvelle intégration de la classe ouvrière dans la société capitaliste ou une attaque sur le pluralisme démocratique.

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## INTRODUCTION

The aim of this thesis is to examine the latest major trend in industrial democracy project in the developed countries - the employee or trade union ownership funds. Employee or trade union ownership funds are investment funds controlled and managed by employees or trade unions. The purpose of these funds is to gain partial or total ownership of equity in corporations, so as to give employees some measure of control over the economy and an important say in company management. While such funds have been hotly debated in many countries during the last fifteen years, it is only in the last two years that three funds have been approved, in Sweden, Quebec and Italy. In Sweden and Quebec, the funds were established by special laws passed in parliament, in January 1984, and, June 1983, respectively. In Italy, an agreement between the government and the unions was first signed in January 1983.

Through the study of these three funds I shall attempt to analyse:

1. how the general idea of trade union funds evolved and what its relationship is to earlier forms of economic democracy.
2. how the three funds in question were created in two countries and one province.
3. what the differences are between these three funds and whether they can be accounted for by specific features in the countries in question.
4. whether or not the funds represent a step towards socialism and/or greater power for the trade union and social democratic movements of the advanced industrial countries.

Before outlining my procedure, I will attempt to define some of the major terms I will be using. In the literature of political science, sociology, economics and industrial relations concerning industrial democracy, a myriad of different definitions is used. Some authors define industrial democracy as the extension of rights

to workers as employees, in contrast to political democracy under which workers enjoy rights as citizens. Workers' participation is yet a further term used to describe the employees' role in management.<sup>1</sup> Other authors tend to use industrial democracy as a term relating to democracy in the workplace, in the narrow sense of its geographic confines. Still others use organizational democracy, as an umbrella term, englobing all concepts. In fact, one could write a whole thesis on these terminological differences.<sup>2</sup>

For the purposes of my thesis, I have chosen to work with the definition used by John Crispo, in his 1982 essay "The Future of Canadian Industrial Relations".<sup>3</sup> Crispo uses the term, industrial democracy, as the umbrella concept to denote democratic work relations or democracy for labour as workers rather than as citizens. He divides the field into three forms, representational, shop floor, and economic democracy. Representational democracy at the national level usually involves "unions in the formulation of major socio-economic political decision-making through multipartite economic and social consultative bodies" and at the company level it is "almost synonymous with the concept of co-determination or union and worker representation on company boards." It also refers to "works councils". Shop floor democracy refers to such ideas as "job rotation" and to such concepts as "semi-autonomous work groups" where a group of workers share different tasks. In Canada, shop floor democracy has been associated with the concepts of the "quality of working life" (referring to the overall attempt to improve working conditions) and the "quality circle" (referring to the semi-autonomous work group)<sup>4</sup>. Shop floor democracy can also refer to the amount of control the local union has over the production line process, including such factors as speed, task and productivity. Economic democracy, according to Crispo, is "the different efforts which are being made in various Western European countries to provide workers with a significant share in the ownership of capital." In this thesis I will concentrate on the development of one aspect of economic democracy -



the trade union or employee investment funds. In doing so I will broaden the Crispo definition of economic democracy to deal with all attempts to give employees some measure of ownership or control of the economy (in whole or in part) whether in the West or the East, while still situating economic democracy as part of the overall topic of industrial democracy.

I will begin my thesis in Chapter 1 by examining the historical evolution of the concept of economic democracy within the general field of industrial democracy. I will next proceed to examine some of the modern forms of economic democracy. In Chapter 2, I will concentrate on the evolution of the trade union or employee investment fund as one modern form of economic democracy. My thesis will next proceed in Chapter 3 to compare and contrast the history of, debate on, and implementation of, the funds in Sweden, Quebec and Italy. I will look at the reasons for the establishment of each of these three funds including the relative strength of the labour and co-operative movement, the political orientation of the government, the attitude of business, and the state of the economy of each country. I will attempt, in Chapter 4, to demonstrate how the different conditions in each country have led to the creation of different types of funds, which range from one with modest ambitions in Quebec to one with fairly ambitious intentions in Sweden, with the Italian plan somewhere in the middle.

Lastly, in Chapter 5, I will deal with an overview of the fund question and its general implication for Western society and for the trade union movement and social democratic parties in particular. I will do this by examining the debate which has been raging over whether the funds represent an important step towards socialism, a response to the crisis, or yet a further integration of the Western working class into capitalist society.

The study of the trade union fund concept, in my opinion, is important not only because of its approval in the three cases in question, but also because the fund idea represents in the labour and social democratic movements of the advanced industrial societies, a major trend which is likely to grow and develop in future years.

## CHAPTER 1

### Economic Democracy - The Development of a Concept

#### I. The History of Economic Democracy

Trade union investment funds are a relatively new idea which developed in Western Europe in the 1950s and 1960s, as I will show in Chapter 2.<sup>1</sup> In order to understand fully the idea of trade union investment funds we must situate it within the wider concept of economic democracy. The trade union funds are one of the latest forms of economic democracy. Economic democracy, as I have pointed out in the Introduction, can be looked upon as one of the three major strands in the modern field of industrial democracy.

Economic democracy is a concept however, whose origins predate modern industrial and political sociology. Economic democracy, as I have defined it, is the obtainment of some measure of ownership or control over the economy (in whole or in part) by employees or workers. In tracing briefly the history of economic democracy, I am particularly interested in those aspects of thought or practice concerning economic democracy which have a relationship to trade union investment funds. In other words we will look at those ideas or experiences which touch on workers or unions owning or controlling the economy. In doing so, I will look at examples mainly drawn from liberal, socialist and anarchist thought and practice. This is not because I am trying to exclude other trends but because my research has led me to believe that these are the traditions that have been most concerned with the democratizing of the economy. I will be examining different ideas and practices which involve workers controlling or owning all or part of the economy in both capitalist and socialist societies.<sup>2</sup> After having surveyed the historic development of economic democracy in the first part of the chapter, I will proceed in the second part of the chapter to examine the current forms of economic democracy generally found in modern Western industrialized societies. I believe that the

study of the history and practice of economic democracy is important to discuss in this thesis, as the past ideas of and experiments in economic democracy served as intellectual and practical precursors for the trade union funds.

### Economic Democracy and Capitalism

The modern concept of economic democracy grew out of the critique of the evolving capitalist society. In Britain during the English Civil War, such groups as the Levellers and the Diggers criticized the distribution of wealth and power. In France, such thinkers as Morelly, Rousseau and Babeuf dealt with the unequal division of property in the period before, during, and just after the French Revolution.<sup>3</sup> But these thinkers did not represent the dominant ideas on property in their respective countries. In fact, the dominant 17th and 18th century economic and political thinkers had underlined the inviolability of the private ownership of property and, indeed, its pre-eminent position in any theory of politics or economics. C.B. Macpherson, has defined the most celebrated English political philosophy of this period as being characterized by the theory of "possessive individualism". For Macpherson this meant that:

The relation of ownership, having become for more and more men the critically important relation determining their actual freedom and actual prospect of realizing their full potentialities, was read back into the nature of the individual.<sup>4</sup>

In other words, ownership of property defined in large measure the individual and thus the political system. Later on, utilitarian thinkers, like Jeremy Bentham, regarded even the thesis underlying the Declaration of the Rights of Man - "Every man is sole proprietor of his own person and this property is inalienable", as an affront to ownership rights of the husband over his children and his wife.<sup>5</sup>

In the 19th century, different philosophers began to criticize the effects of laissez-faire liberalism and its under-

standing of property ownership as the basis of democratic rights. The first modern advocate of a form of economic democracy can be said to be John Stuart Mill. Mill, an important British representative of the reform liberal tradition, advocated a society where:

The relation of masters and workpeople will be gradually superseded by partnership, in one of two forms: in some cases, association of the labourers with the capitalist and perhaps finally in all, association of labourers among themselves.<sup>6</sup>

In other words, Mill proposed profit-sharing, joint-ownership and co-operatives as possible solutions to the inequities produced by the industrial revolution.

In France, as early as 1831, Philippe Buchez also put forward the idea of worker-owned cooperatives, in order to, as he put it: "instituer la république dans l'atelier" (establish the republic in the workshop). These ideas of worker-owned co-operatives to be started with state subsidies, were further developed by Louis Blanc and others and became part of the demands of the 1848 revolution? They were further elaborated by Pierre Proudhon with his theory of mutual aid.<sup>8</sup> In Germany, Lasalle, a founder of German social democracy, argued for state transfer of funds to create employee-owned co-operatives. He saw this as a major step to establish socialism.<sup>9</sup> We can already see in these co-operative-based models of economic democracy a definite link with the trade union controlled investment funds of today. Parallel to these attempts to propose reform solutions for the ills of early capitalism, a utopian socialist tradition developed. Robert Owen established his New Lanark<sup>10</sup> experiment of an ideal community. Charles Fourier<sup>11</sup> with his writings on the "Phalanstère" advocated the creation of new communities as model socialist societies which would become examples for the future.

Karl Marx and Frederick Engels broke with the utopian socialists in advocating a revolutionary transformation of the entire

society. In general, Marx and Engels were not interested in the forms of workers' control over industry in a socialist society, neither were they very taken with co-operatives, nationalizations or state-ownership under capitalism. In the Manifesto of the Communist Party in 1848, they proposed a state socialism, where the state would own the major means of production. Socialism was to be the "extension of factories and instruments of production owned by the state". After the defeat of the Paris Commune in 1871, Engels made one of his rare references to the issue of workers' control under socialism. Engels praised the Commune and its economic structure which was to include:

An organization of large scale industry and even of manufacture which was not only to be based on the association of the workers in each factory but also to combine all these associations in one great union.<sup>12</sup>

As for nationalizations under capitalism, in his work Socialism, Scientific and Utopian, Engels criticized ownership by the state in the following words:

The more productive forces, it [the state], takes over into its possession, the more it becomes a real aggregate capitalist, the more citizens it exploits.<sup>13</sup>

State-ownership of factories in a capitalist society was to be of no benefit to workers, in terms of giving them a greater say or control, because, according to Engels, the state was controlled by an exploitative capitalist class. Therefore, any state-owned firms would simply be run by the capitalist class as a whole, rather than by an individual owner. Thus, Marx and Engels were not particularly concerned with the issue of a direct role for workers or trade unions in the administration of enterprises either under socialism or capitalism.

### Economic Democracy and Socialism

In the latter part of the 19th century, the debate around how to achieve a more equitable distribution of property crystallized inside the German Social Democratic Party. Eduard Bernstein, deviating from socialist orthodoxy in his work, Evolutionary Socialism, put forward the notion of a very gradual progress towards socialism within capitalism. In his view, nationalizations and wider stock ownership would play a crucial role in this transition.<sup>14</sup>

Karl Kautsky, in response to Bernstein, maintained a more orthodox approach, insisting on the need to overthrow capitalism and bring in a completely new regime. Kautsky, however, did update Marx on the question of democracy: "Work must be democratically organized. The democratic factory must have replaced the autocratic factory of today".<sup>15</sup>

With the Russian Revolution, the debate over how to achieve economic democracy, took on a practical form. Inside the Bolshevik Party, the dominant fraction, from 1917-24, led by Lenin and Trotsky, advocated a highly centralized view of socialist economic democracy.<sup>16</sup> Very quickly, the Soviets (the system of workers' councils) were rendered impotent and then by-passed by an authoritarian central state. There was a minority in the Bolshevik Party, including the members of the "Workers' Opposition", led by A. Shliapnikov and others, who put forward, as late as 1921, the need for the union movement to control the economy:

The organization of the direction of the national economy is the task of the Pan Russian Congress of Producers organized in trade unions who elect the central administrative organ of leadership of the entire economy of the republic.<sup>17</sup>

Outside of the Soviet Union, such communists as the Dutch Anton Pannekoek and the Polish-German Rosa Luxemburg, early on criticized the danger of bureaucratization and centralization inherent in the Russian revolution.<sup>18</sup> Luxemburg for example, criticized Soviet Russia as being "a dictatorship to be sure; not the

dictatorship of the proletariat, however, but only a dictatorship of a handful of politicians in the bourgeois sense..."<sup>19</sup> She wished a return to direct rule by the Soviets and in the German Revolution fought for the principle of Soviets or workers' councils holding political and economic power. Through their advocacy of a direct role for workers' councils in running the economy and the society, Luxemburg, Pannekoek and others helped to bring into question whether the Soviet system was really democratic. In the 1920s, numerous rank and file workers' movements sprang up in Western countries influenced by the experience of the Russian, German and Hungarian Revolutions. These movements very often included demands relating to industrial and economic democracy. For example, the British Shop Steward Movement (1919-20)<sup>20</sup> and the Italian Factory Council Movement<sup>21</sup> put into practice for brief moments "workers' control of production".<sup>22</sup> What was meant by this concept varied from what A. Losovsky, head of the Red International of Trade Unions, called "the submission of the factory to the effective control of the workers",<sup>23</sup> to simply the establishment of mixed commissions of workers and entrepreneurs to train workers in production techniques.<sup>24</sup>

After the initial revolutionary upsurge following the Russian experience subsided, the European, and indeed world, labour movement gradually evolved into two major branches. Each of these movements had an important influence on the larger labour movements and dominated the leadership of various trade unions. The Third International (1919-43) made up of Communist Parties, believed in the need for socialist revolution of a violent and total nature. The Second International made up of Social Democratic Parties, believed in a peaceful, gradual and electoral transition to socialism. However, neither of the two Internationals was particularly interested in how state-owned property was to be administered.<sup>25</sup> Rather the modern precursors of trade union economic democracy were found among a few maverick thinkers like G.D.H. Cole in Britain, who with his "Guild Socialism",<sup>26</sup> continued to elaborate new proposals for workers' participation in industry. Indeed,

during the inter-war period, the ideas of the Americans, Frederick Taylor and Henry Ford, on factory organization and management were equally popular in the Soviet Union and in the United States - two states with ownership patterns which could not be more different.<sup>27</sup>

### Economic Democracy in Europe after World War II

With the end of World War II, however, the debate on industrial and economic democracy resurfaced. Many countries declared themselves socialist or communist. In these European countries, the debate quickly opened on the question of workers' participation in industry. In particular, Yugoslavia, excluded by Stalin from the Soviet Bloc, moved gradually to establish a system of workers' self-management at the factory level, although this form of workers' participation and economic democracy was not accompanied by real political democracy. The idea here was to attempt to eliminate the highly centralized features of the Soviet economic model by installing direct control by workers over their workplaces.<sup>28</sup>

In the West, many governments tried to correct past economic functioning they felt to be undemocratic. For example, West Germany passed the Co-determination Act of 1951 which set up equal representation of workers and management on the boards of management in the iron and steel industry. This measure was extended in 1952 to include mandatory one-third worker representation on boards of all industries employing over 500 workers.<sup>29</sup>

But in most countries, like Great Britain, which nationalized large sections of industry, little was done to establish mechanisms of direct workers' control. In 1929, a debate had occurred inside the Labour Party between Ernest Bevin, head of the Transport Workers, and Herbert Morrison, Labour Minister of Transport. Bevin favoured trade union representation on the boards of the recently nationalized companies; Morrison did not. Morrison, in charge of nationalized transport, finally agreed to appoint a few trade unionists to the boards but only if they would resign their union offices and owe their total loyalty to the Ministry. This remained Labour policy after



1945. It was not until 1967 that the Labour government of Harold Wilson finally allowed a few trade unionists actually working at British Steel to gain appointment to the board of that state-owned firm. Labour's stand was endorsed by the Trades Union Congress (TUC) which had, from 1944 onwards, formally opposed trade unionists on public boards. The TUC dropped its opposition only in 1973.<sup>30</sup>

In the East, in the 1956 rebellions which swept Hungary and Poland, workers' control of industry was a major preoccupation. One of the common demands and partial realizations was the establishment of a network of workers' councils. These councils represented a break with Stalinist centralism and bureaucracy and indicated the will to move to a more democratic socialist model of society. While these experiments were quickly crushed (Hungary) or stripped of any real power (Poland),<sup>31</sup> these Eastern European events served to stimulate discussion in Western circles.<sup>31</sup>

#### Revival of Discussion in the Sixties

By the 1960s, the overall question of industrial democracy, and the particular question of economic democracy, became very generalized topics of discussion in the Western World, both amongst intellectuals and in the trade union movement. The reasons for this major new upsurge in the popularity of these ideas were multiple. Perhaps one recent event more than any other served to expand public awareness of the question of industrial and economic democracy. The events of May/June 1968 in France, put forward as a general demand "autogestion" or self-management. As André Gorz wrote in September 1968:

This power - the power of self-management and self-rule had seemed within their [the people's] reach and they were unwilling to give it up....All they knew was that the revolution would be of little value unless it meant this substitution [of self-rule for the existing rule].<sup>32</sup>

Demands, for self-management and a general radical set of economic and social views, were spread to the factories (in many European countries) in part, in this period, by the New Left movement

(including such groups as the German Socialist Students' Union (SDS) in Germany, and Lotta Continua and Potere Operaio in Italy).<sup>33</sup> Rank and file workers' movements further enlarged on these issues in the work place. In France in the aftermath of May 1968, the question of self-management became popularized by the Confédération française et démocratique du travail (CFDT) union and the Socialist Party.<sup>34</sup>

Amongst intellectuals, Paul Blumberg in his book Industrial Democracy, (1968) and André Gorz in his book A Strategy for Labour, (1967), wrote some of the seminal works which helped bring the concept of industrial democracy to the fore. The growing disenchantment with the highly centralized Soviet model of socialism made examination of any deviant example from Eastern Europe particularly interesting. Stimulation came from the short lived Prague spring of 1968, in which workers' councils were once again put forward as an integral part of demands. The Polish Solidarity trade union movement from the 1980s onwards also raised the same issue.<sup>35</sup> In Western trade union circles, twenty years of living with nationalized industry in Britain, France and elsewhere had shown many trade unionists that workers and unions were generally excluded from real participation.<sup>36</sup> As well, the rapid rise in living conditions since 1945 made many unionists anxious to look beyond the basic bread and butter issues, which had characterized most of the demands of the 1950s in many countries.<sup>37</sup>

Under pressure from the trade union movement during this period, many governments instituted new approaches to industrial democracy, particularly the issue of what Crispo called representational democracy. In Sweden, Norway and Denmark important steps in this sense were taken in the seventies. In Norway in 1973, the government introduced a one-third employee representation on boards of all industrial companies employing more than fifty people. (The law has since been expanded to cover other sectors.) In addition, in companies with over 200 employees, a company assembly was to be established. A company assembly is a peculiar Norwegian invention. It has taken over some of the functions of

the shareholders' general assembly and is, for example, the highest decision-making body on investment decisions. In 1977, the Work Environment Act gave employees a say in determining health and environment issues including the psychological and physical aspects.<sup>38</sup> In Denmark a 1973 law established one-third employee representation on boards of administration composed of the most important shareholders. These boards must then delegate authority to management boards which handle the every day administration.<sup>39</sup> Austria and Holland also both introduced legislation in 1973 granting worker representation on boards. In Sweden such legislation was adopted by 1975 (see Chapter 3 for details).

In Britain many ideas on worker participation were also widely discussed and a Royal Commission on Industrial Democracy was established in 1974 to develop concrete proposals for legislation. The Bullock Commission's most widely disputed proposal concerned the implementation of "2X + Y boards" - with equal representation for shareholders and employees (2X) who would in turn choose a third group of directors (Y). The Bullock Commission Report was never implemented due to lack of consensus from within the trade union movement and opposition from employers.<sup>40</sup> The Amalgamated Engineering Union with its 1.3 million members (generally identified as left wing at that point) and the Electricians' Union (generally regarded as right) both opposed the report because they feared labour would lose its countervailing role to management. The Confederation of British Industries also vehemently objected to the Bullock recommendation.<sup>41</sup>

#### Economic Democracy Re-examined

In addition to re-examining employee participation or representational democracy, trade unions also began to re-examine in the 1960s and 1970s, another aspect of industrial democracy - economic democracy. First of all, the experience of representational democracy led trade unions to question whether it was really possible to bring about real democratization without controlling all or part

of the economic levers in a company. As the Trade Union Confederation of Sweden (LO) said in 1976:

The employees' demand for influence [participation] is based on their contribution in terms of work. This is a clear matter of principle and is the basis for the claim for the democratization of work already referred to [the laws on representational democracy]. However...economic concentration in our society has gone so far that the concentration of power which has ensued makes the democratization of working life more difficult. This made it necessary to find a form for the exertion of influence by employees within firms, based on a contribution to capital, as part of the process of democratization to strengthen labour's rights.<sup>42</sup>

In addition, as the economic crisis grew, representational democracy without economic democracy could prove damaging to the union movement. As one sympathetic observer of the Swedish Labour movement noted:

For instance, the 1976 Act of Workers' Co-determination (MBL) [in Sweden] which was designed during the final period of post-war economic growth is now being applied in a period of protracted stagnation. Thus one of the main functions of MBL at present is to make union representation participate in decisions on what workers should be fired.<sup>43</sup>

Only if co-determination were combined with some form of "system transcendence" (e.g. wage-earner funds) could it then be justified. At the same time the rise in class conflict in Europe particularly in the period 1968 to the mid-1970s, led to, and in turn was underpinned by, an increasing radicalization in ideological trends. As one observer of the period noted: "In all these countries [Western Europe] alongside a more or less steady progress of combined trade-union action (as regards putting forward joint demands or common objectives for social change) there has been a drift leftwards; and inside central union bodies, individual unions or federations take

up a more overtly left-wing stance".<sup>44</sup> This renewal of radical thought brought the issue of socialism and who controls the economy squarely to the table again. In France it was demonstrated by the support of the CFDT and the Confédération Générale du Travail (CGT) for the Socialist and Communist Parties' unity effort. These parties had a radical Programme Commun advocating massive nationalizations combined with some form of self-management. In other countries unions launched a re-examination of other aspects of economic democracy. The Quebec labour movement was itself particularly concerned with who controlled the economy during this period as we can see by the publication in the early 1970s, by the two largest union federations, of major manifestoes advocating some form of socialization of the economy. The Confédération des Syndicats Nationaux/Confederation of National Trade Unions (CSN/CNTU) and the Fédération des Travailleurs et Travailleuses du Québec/Quebec Federation of Labour (FTQ/QFL) published respectively "Ne Comptons que sur Nos Propres Moyens" and "L'Etat Rouage de Notre Exploitation," both of which marked a radical departure for the unions. (Since the official name of the FTQ in English is QFL, I will use QFL in the rest of the text. The CSN has since abandoned using the English version of its name).

Amongst the most important of economic democracy concepts to be examined in the Western World were: profit-sharing, employee share ownership, co-operatives and employee-owned or state-run pension investment funds and nationalizations. In the early 1970s, along with these concepts, a new idea began to make headway: trade union investment funds. In order to situate the emergence of trade union funds I will first, very briefly, comment on some of the other concepts.

## II. Forms of Economic Democracy

Profit-Sharing is a very old concept dating back to the 19th century. As early as 1899 an International Congress on Profit-Sharing meeting in Paris defined profit-sharing as "An agreement freely entered into, by which the employees receive a share fixed in

advance of profits".<sup>45</sup> Many attempts were made to institute this concept during the early 20th century but it never became widespread until recently when profit-sharing underwent a huge increase in popularity. For example, from 1954 to 1974, the number of U.S. companies with profit-sharing plans, grew from 8,242 to 183,244. By 1982 over 330,000 plans were in existence. This amounts to some 26% of all U.S. companies (with over 50 employees) which have some form of profit-sharing.<sup>46</sup> A recent study of U.S. firms has shown that companies with profit-sharing plans generally out-perform other companies in earnings per employee, sales growth and other indices.<sup>47</sup>

However, profit-sharing has not achieved unanimity amongst employers or trade unionists. Walter Reuther, founder of the United Automobile Workers (UAW) in the USA, argued for profit-sharing: "Profit-sharing in the form of stock distributions to workers would help to democratize the ownership of America's vast corporate wealth".<sup>48</sup> Other trade unionists have often opposed profit-sharing for a number of reasons. Profit-sharing tends to be unpredictable, unlike wage increases. It is often seen as a means of trying to persuade workers to accept wage rollbacks. The International Machinists' Union warned in 1976: "Union members should recognize that employee profit-sharing and stock ownership schemes are not new. They were popular in the boom years of the 1920s. They were considered a fine way to keep unions out and to get workers to accept lower wages in return for a theoretical share of future profits".<sup>49</sup>

Employee Share Ownership (ESOP) is another form of economic democracy which has been growing rapidly in past years. In Europe, France was one of the first countries to formally institute a state authorized plan in 1917. But because of the voluntary aspect of the plan (companies could decide whether to apply it) it never had the anticipated success.<sup>50</sup> Again in 1959, 1967 and 1973, the French government passed laws enabling companies to set aside profits for workers to buy shares in their own companies. However only some 3%

of the profits set aside for employees have been used to buy shares. Most employees preferred to take their part of the profits as a cash bonus.<sup>51</sup>

In the United States, Louis Kelso pioneered the concept in two books: The Capitalist Manifesto (1956) and The New Capitalists (with Mortimer Adler) (1961).<sup>52</sup> Later on, in 1974, Senator Russell Long pushed through an amendment to U.S. taxation laws which gave tax breaks to companies with ESOPs. Today some 100,000 firms in the USA have such plans, including the most controversial one at Chrysler where employees gained some 15-25% of the total stock in return for accepting lower wages than workers at General Motors or Ford.<sup>53</sup> But ESOPs do not tend to give employees any real control over their work places according to many unionists. As Floyd Smith, international president of the Machinist Union stated in 1976:

Kelsoism is a fraud and a hoax. Rather than a prescription for 'people's capitalism', Kelsoism is a formula for ripping off the working people....ESOPs are really a method of shifting the losses of corporate turkeys like Penn Central from the financial community to the working people.<sup>54</sup>

For example, in a study done in the USA, in only 13% of enterprises with ESOPs had the employees become the effective owners. The typical ESOP enterprise was rather one in which 20-35% of the shares were controlled by employees.<sup>55</sup> According to the National Center for Employee Ownership, only some 500 enterprises existed where employees owned a majority of shares.<sup>56</sup>

Co-operatives are perhaps the best known form of economic democracy. Co-operatives have sometimes been held up as a way of building a new society. An early modern observer of Swedish society, Marquis Childs, has pointed out that in Sweden the co-operative movement, rather than the state, was used to build public housing and other social projects. He dubbed this the "middle way" between state socialism and capitalism. Ebenstein and Fogelman confirm this

when they state: "The most significant contribution of Scandinavia to social reform is the use of co-operative movement rather than the state as the agent of social and economic reform".<sup>57</sup> In Sweden, the Co-operative Association (KF) started in 1899 with 10,000 members. By 1980 the Swedish co-operative movement had 1,882,999 members. Most of this membership belonged to co-operative-owned food stores. This movement also controls its own factories producing goods for its stores.<sup>58</sup> If we examine the case of Italy, as early as 1866, there were 130 associations representing about 70,000 people. By 1982 there were 140,000 co-operatives of which 21,431 were industrial or commercial as opposed to agricultural co-operatives.<sup>59</sup>

In North America, the co-operative movement is, by comparison, very small. In the United States, no accurate figures exist for co-operatives but the overall number of employees who work in firms in which employees own some percentage of shares, is only some 300,000.<sup>60</sup> In Quebec, however, the co-operative movement is well developed as a whole. Co-operatives contribute about 3% of the gross provincial product. The total assets of co-operatives amount to some \$17 billion. Banking is the most highly developed co-operative sector in Quebec. The "caisses populaires" (or credit unions) have assets of some \$14 billion and over 5 million memberships (many people belong to more than one "caisse" in their different capacities, for example, as employee, resident, or union member). The "caisses populaires" accounted for 30.6% of the market shares of all banks and financial companies in 1977 in Quebec. The next largest co-operative sector is agriculture and fishing which accounts for 20% of all co-operative activity and 40% of all, 40,000 or so, co-operative employees. The number of worker or industrial co-operatives is quite small numbering only some 205 with 7,000 workers in 1984. While some of these ventures like Tricofil, in the textile trade, and Tembec, in forestry, have been well publicized, the average producer co-operative is quite small with an average of some 35 workers.<sup>61</sup>



Employee and State Pension Investment Funds. Next to profit-sharing, perhaps the most widespread forms of economic democracy to develop in recent years are undoubtedly the employee-owned pension investment funds as well as those formed from state pension contributions. Peter Drucker in his 1976 book, The Unseen Revolution - How Pension Fund Socialism Came to America, wrote that employee-owned funds controlled 25% of the shares of major U.S. concerns. By 1985, Drucker claimed, the total would reach 50% of all shares.<sup>62</sup> We will have to wait a few years to see how close Drucker's estimate came to the truth. In Sweden, the state-run pension funds have never been a major owner of companies. They were set up after a country-wide referendum in 1956 and a parliamentary vote in 1958.<sup>63</sup> It was only in 1973 that one out of the four funds was allowed to purchase stocks on the open market. In Italy, the pension plan has been controlled by the unions since 1969, but does not invest in stocks.<sup>64</sup>

In Quebec, the Caisse de Dépôt et de Placement du Québec (CDP) was established in the early sixties as the depository for state pension fund monies as well as monies from other government concerns. The setting up of the Caisse de Dépôt was an important achievement of the Quiet Revolution. First of all, Quebec was the only province in Canada to withdraw from the Canada Pension Plan and gain control of its own plan. Secondly, the Quebec fund, unlike the Canada Pension Plan, was partly to be invested in shares as part of the general Liberal Party programme "Maîtres chez-nous".<sup>65</sup> The result is that in some twenty years, the Caisse de Dépôt has become one of the largest single shareholders in Canada with a total capital ownership of over \$20 billion of which \$5.39 billion is in stock ownership. The Caisse de Dépôt has a controlling interest in such companies as Provigo and Domtar and is a major stock holder in such concerns as Canadian Pacific. Louis Laberge, President of the QFL, sits on the board of the CDP. He is the lone union representative.<sup>66</sup>

However, I would argue that from the trade union viewpoint,

there are certain drawbacks to these state or public pension investment funds. First of all, the funds are normally not managed by the general public or by the trade unions but by professional administrators from the business sector or given over to trust companies or banks to manage with the administrators being paid large salaries. Secondly, these funds generally spread out their investment in many different companies and do not attempt to move towards control. (The Quebec Caisse de Dépôt is an exception, but even it has a 30% share limit). Thirdly, these funds are aimed at securing the best return on investment and rarely have economic or social priorities. U.S. trade union pension funds are also geared mainly to profitable investments and not to social goals, and as Himmelstrand has said, these types of plans "would make it more difficult to realize the objective of local wage earners' influence over production through capital ownership"<sup>67</sup> because of their limited focus on maximum profits.

Nationalized Industry. Western European countries like Britain, France and Italy engaged in a wave of nationalizations in the post World War II period. The reasons for these state takeovers were different in each country. In Britain, the move was engineered by Atlee's post-war Labour government as a part of a conscious thrust towards socialism.<sup>68</sup> In France, the nationalizations were accomplished by a coalition government including Gaullists and left-wing parties, partly to punish Nazi collaborators such as Renault.<sup>69</sup> In Italy, under the Christian Democrats, the task was to generate economic growth after the defeat of fascism and the destruction of war.<sup>70</sup> While initial nationalization had occurred under fascism, the major growth occurred from the early fifties to the early 1970s. During this period, under Christian Democratic leadership, state investment grew from some 8% to some 15% of total investment with the creation of such giants as the ENI petroleum company.<sup>71</sup> In Sweden, however, the Social Democrats were blocked by the opposition in their 1948 attempt to bring in widespread nationalizations.<sup>72</sup>

By the early 1950s, social democratic parties began to change their attitude towards nationalization. The Socialist Second International in 1951 dropped total nationalization from its programme and opted instead for the mixed economy.<sup>73</sup> A critique of the practice of nationalization began to develop both within and outside the socialist movement. Inside the British Labour Party, such figures as Hugh Gaitskell, Dennis Healey and C.A.R. Crosland criticized nationalization.<sup>74</sup> Crosland argued that nationalized industries had been characterized by bureaucratic centralization and inefficiency. He proposed that they be forced to compete with the private sector in areas where public companies now held monopolies.<sup>75</sup> In 1959, the German Social Democrats warned that any concentration of economic power, even by the state, was dangerous. In 1964, the German Social Democratic Party dropped all mention of nationalization. It was argued by some that nationalized companies were also ineffective in bettering working conditions or in giving workers a real say in management.<sup>76</sup> As John Elliot noted in 1978:

Nevertheless the increasing state ownership of the past thirty years has not proved to be the socialist panacea that had been hoped for... The traditional British conflicts of industrial relations between the manager and the managed have not disappeared either, despite the communication and consultation traditions. Indeed the conflicts have sometimes been more bitter than in the private sector...<sup>77</sup>

In the late 1970s and 1980s nationalization again came into the limelight. New socialist governments (many in power for the first time in a long while) in France, Greece and Portugal put into practice or discussed new nationalizations. The economic crisis of these years also forced governments of both left and right to undertake nationalizations of firms in danger or bankruptcy like British Leyland or the Swedish shipbuilding industry. Even the USA nationalized its passenger rail network. In Canada, increased opposition to widespread foreign ownership forced Liberal governments

to undertake important nationalizations in oil (Petro Canada) and other industries (Canadian Development Corporation).<sup>78</sup> However, the same criticisms of nationalizations soon resurfaced, particularly when the economic crisis hit hard at the end of the 1970s and beginning of the 1980s. This time, however, the principal critique came from the right-wing parties. In Britain and Canada, conservative politicians undertook to sell crown companies back to the private sector.<sup>79</sup> Nationalization seemed more under attack as a policy than ever before.

Our brief look at the major older forms of economic democracy has tried to point out that while they all achieved some success each form also had its drawbacks and limitations. The trade union movement in many Western European countries and elsewhere was thus open to exploring new ideas which would help achieve greater economic democracy combined with a greater measure of workers' direct control. It was in this context that trade union or employee investment funds began to emerge.

## CHAPTER 2

### Trade Union Funds - The Latest Trend in Economic Democracy

#### I. An Idea in Progress

The trade union fund, or collective employee ownership of equity (as opposed to individual ownership) is a relatively new idea which first emerged in the early 1950s and blossomed in the early 1970s. The first projects were broached most probably in West Germany in 1951 in trade union circles.<sup>1</sup> But it was in Holland in 1952, that the Dutch Catholic Union (NKV) first made a concrete proposal for a union controlled investment fund.<sup>2</sup> In 1975, a law on profit-sharing (VAD) forcing employers to contribute a percentage of profits to a central fund controlled by trade union and government officials was introduced into the Dutch Parliament. It was, however, never passed because of strong business objections.<sup>3</sup>

In West Germany, in 1961, an Act to Promote Workers' Participation in Capital Formation, (amended in 1965) allowed a union to negotiate with an employer to create a share investment fund in a particular company.<sup>4</sup> This act was particularly promoted by the Bricklayers' Industrial Trade Union. The head of the Bricklayers' Union, E. Leber, produced his own plan entitled "Accumulation of Assets for the Worker" in 1964. In 1974, the federal government introduced a proposal, "Outlines of a Property Sharing Law", which was based on the Leber plan. As a result of opposition from conservative and business circles, the law was withdrawn.<sup>5</sup> In Italy, the initial idea for a fund came from the Christian Democratic led Italian Confederation of Workers' Unions (CISL) in 1963 and 1964. The CISL attempted, without success, to have this plan adopted as a law but the project met with opposition from the General Confederation of Italian Labour (CGIL) and the Italian Communist Party (PCI) and with hesitation from the Italian Union of Labour (UIL).<sup>6</sup> (Italy, see Chapter 3).

By 1967, the idea of trade union funds had spread to the point that the Organization for Economic Cooperation and Development

(OECD) organized a conference in Florence with representatives of the German Trade Union Central (DGB), the NKV and the CISL in attendance to discuss different strategies to achieve trade union capital formation plans.<sup>7</sup> In France in 1967, De Gaulle launched his "participation" scheme. While not a trade union fund, this scheme had some similarities with them, but the French schemes were all of an individual benefit rather than a collective benefit nature.<sup>8</sup> The scheme meant that companies with 100 or more employees had to set aside a certain percentage of profits for employees to buy shares or invest outside the company. At the end of five years, the money can be paid out as tax-free income. In 1970, a new law authorized nationalized enterprises to distribute to employees up to 25% of total shares.

As early as 1970, Peru passed a law making compulsory the distribution of a percentage of profits (15% from manufacturing firms) in the form of shares into worker-controlled funds in each company.<sup>9</sup> In 1973, the Danish Social Democratic government made a proposition, prepared by the Danish Federation of Trade Unions, for the establishment of a wage earner's fund to be based on payroll mark-up from employers. This fund was never established due to the victory of a right-wing coalition.<sup>10</sup> However, the Danish scheme was a source of inspiration for the later Swedish fund.

In Britain, in June 1973, the Home Affairs Committee of the British Labour Party approved a fund scheme inspired openly by the Danish scheme. A national workers' fund would receive each year shares amounting to 1% of the total equity of publicly quoted companies. The fund would be administered by the union movement.<sup>11</sup> The Committee's proposal received a lukewarm reception in the Labour Party, and when labour returned to power in 1974 the idea was shelved.<sup>12</sup> In Sweden, (which I will examine in detail in the next chapter) the present plan grew out of proposals presented first in 1951 for single industry funds based on "excess" profits to be used for wage equalization and rationalization in each industry. Not until the 1971 LO Congress was the proposition to examine setting up a capital formation

fund adopted.<sup>13</sup> (See Chapter 3 for details).

Thus, we can see that, although the idea emerged in the 1950s, it was not until the early to mid-seventies that the debate on trade union funds became widespread in many European countries. In 1976, the European Economic Community (EEC) set 1980 as the deadline for member countries to establish some form of employee capital formation. This date was not respected, however the fact that the EEC voted for the proposal, illustrates the strength of the movement for employee-control of capital.<sup>14</sup> In 1982, the European Confederation of Unions adopted a resolution at the Hague which reads as follows:

Measures must be taken to stimulate public and private investment....Whatever the form that is adopted, we must assure that unions have a real influence over these measures. Other than the traditional incentive to invest, it may be necessary to use resources such as pension funds over which unions exercise a certain control. The measures [my emphasis] to be taken can also imply the creation of workers' investment funds.

Measures of this type have the advantage that the necessity of increased employment will also be taken into consideration, due to union control, at the time investments are decided in productive activities.<sup>15</sup>

How and why, then, did this issue become so widespread by the 1970s? The reasons are complex and vary from country to country, as I will later show, but I will try to isolate four general factors which can help explain the popularity of this particular form of economic democracy.

## II. Why Trade Union Investment Funds?

### 1. Trade Union Funds and Representational Democracy

As I have pointed out, the 1960s and 1970s were a period of upsurge in the discussion of all forms of industrial democracy. On the level of representational and shop floor democracy, concrete steps forward were being made particularly in Northern Europe as a

result of rank and file pressure. But by the early seventies, it was observed in many countries, as I have already shown in Chapter 1, that these reforms were of limited value. At the same time, as I have also shown, many of the traditional measures of economic democracy were under criticism for being ineffective or lacking in any real participatory role for the workers. One of the reasons for the popularity of trade union funds is that they have the potentiality of helping to overcome some of the weaknesses inherent in representational democracy. Trade union funds can complement and extend workers' participation in management by giving the employees real economic clout for the first time. Rudolf Meidner, who wrote the initial report on the Swedish funds noted the difference between measures of co-determination or representative democracy alone and these same measures combined with employee funds.

... there is an important difference between the right to negotiate and conclude agreements about production decisions on the one hand [note: stemming from co-determination], and the influence over production which flows from the ownership of capital on the other. He who controls the capital holds the right to initiate and the chance positively to embark on implementing decisions which are thought to be appropriate. In the last resort he who negotiates can only say 'No'.<sup>16</sup>

Meidner claimed the funds would involve "a new stratum of democracy in industry" lying somewhere between government industrial policy on the one hand and the "labour law route" providing for co-determination within enterprises on the other.<sup>17</sup> Meidner viewed government industrial policy in Sweden as a form of industrial democracy, as the social democratic government made its policy in consultation with the labour movement. By "labour laws" Meidner was referring to the series of measures concerning the strengthening of representational democracy that were passed in Sweden in the 1970s (as outlined in Chapter 3).

The perception that trade union funds could reinforce representational democracy was also shared by the members of the LO.



A study, undertaken by Meidner for the LO, which consulted over 18,000 rank and file unionists in 1975 confirmed this view. The study showed that in answer to the question "How important is ownership (in the sense of trade union funds owning capital) for employee influence?", 69.1% answered "absolutely necessary"; 20.6% answered that it is "important"; 8.1% considered it had "some significance", only 8% considered it of "no importance" and 1.4% "disadvantageous".<sup>18</sup> As Meidner said:

Capital owned by the staff is regarded as guaranteeing that the framework of the new labour legislation can have poured into it a concrete context of far-reaching co-determination. The funds would breach the opposition of existing owners to employee influence, because every extension of co-determination which the employees achieved would lead to a corresponding loss of power and influence on the part of the the present owners.<sup>19</sup>

The same study showed that the workers saw the funds as reinforcing the employee-influence legislation in another aspect. The study noted that there was strong support for using the profits from trade union funds for supporting activities such as employee representation on the boards of companies, negotiating rights and improved status for safety representatives.

In Italy, one of the major goals of the funds (as I will show in Chapter 3) was to be to increase "self management".<sup>20</sup> In Quebec the fund was seen as giving local unions a greater influence in their workplace.<sup>21</sup> Thus the fund was widely seen as a measure of economic democracy but which had the particular merit that it could also help to reinforce representational democracy.

## 2. Trade Union Funds and Pensions

By the late 1970s and early 1980s, it became clear in many countries that state-run pension plans were in difficulty. In Sweden in 1982 there were five workers for every one pensioner. But by the year 2000 it was estimated that that ratio would decline

to three workers supporting one pensioner.<sup>22</sup> The Caisse de Dépôt et de Placement in Quebec was paying out in 1984 more money in pensions than it earned from its investments. It was estimated that this gap between profit and pay-outs would only worsen in future years as the mean age of the population gradually increased.<sup>23</sup>

The LO saw a decisive link between pension funds and employee investment funds.

They [the funds] make it possible to maintain reasonable contributions to the ATP [pension] system and, at the same time to safeguard pensions for the future.<sup>24</sup>

Profits from employee investment funds can help supply future monies for pensions. These profits can help avoid the huge increases in contributions that might be needed to keep the state pension funds afloat.

In Quebec, not only were state pensions not a sure bet for the future, but many unions lacked company pension plans to supplement state benefits. The QFL designed the Solidarity Fund to be a possible individual pension investment for many workers. Shares in the plan cannot generally be withdrawn until age 65 or retirement. The QFL plan has even attempted to get some companies which have no pension plans to contribute to the Solidarity Fund in an equal amount to individual contributors.<sup>25</sup> (See Chapter 3 for more details).

Thus, the trade union investment fund was seen by some union movements as one means of strengthening or supplementing existing pension plans.

### 3. Trade Union Funds and the Economic Crisis

In the 1970s and early 1980s both unemployment and inflation skyrocketed. The Western economies generally entered a period of stagflation. Whole industries, such as shipbuilding in Sweden and textiles in Quebec, became threatened. As the LO stated: "Reports showed that the closing down of firms almost always meant that a

group of employees lost their foothold in the labour market for good and all".<sup>26</sup> With unemployment at about 14% in Quebec the QFL stated: "Faced with the incapacity of the present owners of the economy, vis-à-vis unemployment, it has become more and more urgent that the workers get involved themselves with the limited means they possess".<sup>27</sup> Ownership or at least stockholder leverage would seem to be an important tool in blocking factory closings or layoffs by giving unions a say in management decisions.

But the initiators of the funds were not simply concerned with stemming the immediate effects of the crisis, they were also preoccupied by the long-term effects. The late 1970s and 1980s had ushered in an era of structural change in Western economies. At the 1978 Swedish Social Democratic Party (SAP) Congress, it was noted that: "Investment had decreased, in particular, investment in industry. Savings had declined even more. The gap was bridged by foreign loans and foreign indebtedness increased".<sup>28</sup> The support for trade union funds at the 1978 Congress was clearly linked to the need for new investment capital on a consistent basis. As Hans Olsson, head of the research department at the Swedish Metal Workers said: "We [the union movement] can participate in the renewal of Swedish industry through our influence on how they [the companies] use their high profits - among other things via the employee investment funds".<sup>29</sup>

Similar arguments were outlined by the QFL. There was a lack of confidence within the business class which caused it not to invest in job-creating industries. According to this argument, trade unions can no longer leave it up to the private investors to invest.<sup>30</sup> Even in countries with high levels of state ownership, like Italy, it was seen that state-owned firms reacted in a similar manner to private firms as regards to layoffs. This was particularly noticeable in the change in behaviour of the Italian state-holding company ICI which had been a motor of progress for union rights in the 1960s.<sup>31</sup> As one of the Italian advocates of the Solidarity Fund claimed:

The Solidarity Fund is not considered as the only instrument capable of surmounting the crisis which is shaking Italy. But we see it as a political proposition susceptible of bringing a change in the situation of employment and the declining investment. As the process of technical restructuring is reflected by a loss of manpower, we can channel a part of the savings of workers towards investment which will generate jobs.<sup>32</sup>

#### 4. Economic Inequality and Economic Democracy

In spite of the considerable number of measures democratizing industry in such countries as Sweden, social welfare policies in Quebec or Italy, or moves towards economic democracy, trade unions, and particularly the rank and file members, as I have noted in Chapter 1, began to notice in the late sixties and early seventies, that little had changed as far as the distribution of wealth was concerned. This new consciousness of inequality arose as a result of a number of factors including the pressure of the student movement and left-groups, the recognition of the situation in the Third World and such events as the War in Vietnam which focused attention on the role of Western imperialism.<sup>33</sup> "The political scene (of the sixties) was dominated by concern with public issues of war and peace, of greater equality of participation in decision-making and political activism" noted the late Swedish prime minister, Olof Palme.<sup>34</sup>

The LO, for example, noted that shares remained concentrated in a few hands:

- In Sweden in 1975, only 11% of the country's households owned shares.
- A mere 1% of all households own 75% of shares.
- 36% of the companies on the Stock Exchange were controlled (over 50% of voting shares) by 1 person and 30% by 2 people.<sup>35</sup>

In Canada, the Montreal Gazette reported a study which indicated that in 1985 nine families control 46% of the stock of the 300 leading companies on the Toronto Stock Exchange and, if one excludes the banks from this group, this control rose to 53%.

And this study was realized by the Canadian Bankers Association.<sup>36</sup> In Italy, the country with the smallest private sector, 66% of capital still remained in private hands.<sup>37</sup> Thus, the arguments made by employers that stock ownership since the end of World War II had become more and more widespread seemed to be illusory. As the Swedish Minister of Finance said in his press release announcing the creation of the funds:

I believe it is necessary to ensure that rising profits do not lead to a further concentration of power and ownership in enterprise. Instead our task is to spread power and ownership so that more people can be enabled to participate in the accumulation of wealth.<sup>38</sup>

As well as helping to fight economic inequality, the funds would help introduce a more stable form of economic democracy. The funds would allow trade unions to have a base of power independent of the vicissitudes of elections and the defeat of socialist governments. In other words, if a right-wing government denationalized state-owned companies and cut back on social programmes and pensions (i.e., attempted to dismantle the welfare state) this would not mean an end to trade-union-controlled firms. As Gunnar Heckscher, former leader of the Conservative Party in Sweden wrote in a recent book (1984):

The fundamental aim is probably to strengthen and stabilize the power of labour in relation to that of private capital and to provide the labour movement with a citadel of power that could withstand reverses in parliamentary elections.<sup>39</sup>

Similarly, even if a social democratic party in power for whatever reason implemented layoffs in state-owned businesses, trade-union controlled firms would not have to follow suit.

But the trade union funds were not simply seen as providing an immediate antidote to inequality or just a more stable form of economic democracy. They were seen by many of their backers as

being a means of moving to some form of socialist society, considered by many as being the ultimate and most complete form of economic democracy. This position has been outlined perhaps most clearly by such writers as Abrahamson, Himmelstrand, Stephens and Korpi and is discussed in detail in Chapter 5.<sup>40</sup> However, even the conservative opponents of the funds have grasped the fund's long-term significance.

And in both countries [Denmark and Sweden] it is argued that this [the employee funds] is just another technique for introducing socialism and destroying the free market economy. In fact, many of its proponents would probably admit that the ultimate aim is to liquidate, or at least drastically curtail private ownership of the means of production, while the diversity of channels of public influence should preserve some of the competition that was characteristic of "capitalist" system. In this respect, it appears probable that the Yugoslavian system of decentralized socialist economy has at least in part served as a model for Scandinavian socialists.<sup>41</sup> [my emphasis]

As we shall see when we examine the specific details of the funds in each country, the percentage of the economy to be brought under control varies considerably with each country. However, many explanations given by proponents of the funds, claim that the funds are part of their "democratization of working life as a whole".<sup>42</sup> As a Quebec Solidarity Fund spokesman put it:

All these means, including the Solidarity Fund, aim at progressively changing the rules of the game. They can open the road to deeper changes which correspond to the social project of the QFL: democratic socialism.<sup>43</sup>

The CISL stated that: "The Italian Fund can constitute an important instrument to be used to develop and promote the experience of self-management...beginning in the south of Italy".<sup>44</sup> Thus, the funds were viewed as a tool to accomplish the goal of fuller equality and economic democracy.

### Fighting the Crisis and Economic Inequality

An important link exists between what I have established as the third goal of the funds, fighting the immediate effects of the crisis and providing new investment funds and the fourth goal of the funds, fighting economic inequality.

Andrew Martin has written that for the LO and the Social Democratic Party the trade union funds provide for "a change in the institutional framework within which investment takes place that will make it possible to increase investment without increasing economic inequality".<sup>45</sup>

In other words, the trade union funds were seen as a means of fighting the effects of the crisis while not increasing private wealth and inequality. Trade union funds could help build up collective ownership of property and increase economic equality while at the same time providing new investment financing.

### CHAPTER 3

#### Trade Union or Employee Funds - Three Case Studies

In this chapter I will attempt to analyse in detail the origin and development of the three first examples of trade union or employee investment funds to receive government approval.

##### I. The Swedish Plan

The Swedish plan (called in Swedish, Löntagarfonder or often the Meidner plan) was passed into law in late 1983 and came into effect in January 1984. The fund's birth marked the high point of an animated and lengthy debate. In 1949, the Liberal Party had called for an inquiry into various systems of joint ownership and profit-sharing and had continued to raise the issue in 1952, 1956 and 1968 and later in 1974. The idea was rejected by the governing Social Democratic Party (SAP) until 1974 on the grounds that it was an issue between the interested parties (labour and business) and did not involve the government.<sup>1</sup>

In reacting to the Liberal Party position in 1952, Gunnar Dehlander, press officer of the LO, argued that the idea of profit-sharing went against the system of collective bargaining, the wage solidarity policy and solidarity in general. Labour would be put into a position of being forced to serve both members and owners.<sup>2</sup> The Swedish Trade Union Federation had discussed the idea of profit-sharing at its convention in 1909 and 1917 but the idea was dropped because of the majority's claim that unions would be co-opted by management in such a scheme. The LO's first venture into investment funds, came in the fifties when the LO began to examine proposals for branch or single-industry funds. These proposals were passed at LO Congresses in 1951, 1961 and 1966. Single-industry or branch funds were to be based on employers' contributing "excess" profits



generated within an industry. These "excess profits" were to be put into a fund to be used for wage equalization [reduction of wage differentials] and for counteracting the effects of rationalizations [i.e., layoffs and unemployment] in the industry. The term "excess profits" had a particular definition in Sweden. Swedish wage agreements are centrally negotiated. All workers doing the same job in the same industry are paid the same wage though they work for different companies. This is called the "solidarity" wage policy. Workers in a highly profitable company earn the same basic salaries as those in other firms generating lower profits. The high-profit company will make, according to the LO, "excess profits", because it can keep its wages down to the industry-wide wage. Thus, according to the LO, high-profit companies should be forced to plough back part of their profits into a fund to compensate for their excess earnings. These funds would be used to fight job cutbacks in the industry. However, no action was taken on implementing the branch fund proposal.<sup>3</sup>

The discussion about trade union funds in Sweden cannot be separated from the bitter debate from 1947 to 1960 over the introduction of a comprehensive, public and obligatory earnings-related pension fund. This fund was called the Supplementary Pension Scheme, as it was in addition to the universal pension scheme already in place. The SAP and LO supported the introduction of this new pension plan related to contributions based on earnings. The Liberals and Conservatives opposed it, calling it a "secret socialization plan" because they feared the pension funds would be used to buy stock. The Centralist Organization of Salaried Employees (TCO) vacillated on the issue. After a public referendum, some Liberal Party members and the TCO were won over to supporting the idea. But the pension funds never became major stock owners. As has been mentioned, it was only in 1973 that one out of four Swedish pension funds was finally permitted to buy stock and then only in a limited manner.<sup>4</sup>

### Swedish Industrial Democracy

In 1971 at the LO Congress, as the result of pressure from rank and file unionists, a number of proposals were put forward for increasing industrial democracy, including: representation on company boards of employees, the selection of auditors by the employees, greater security of employment, a stronger position for safety stewards in firms, the obligation of employers to negotiate and a share in decision-making for the employees.<sup>5</sup> In connection with the issue of the solidarity wage policy, a committee was set up to examine the question of "branch funds and other forms of fund formation based on profit and the question of employees' savings for the provision of investment capital within the firm".<sup>6</sup> The committee, under the leadership of Rudolf Meidner, was to report back in 1976. Meanwhile, the Social Democratic Party, followed by the government, adopted essentially the LO reforms on industrial democracy by 1977. These reforms were passed by Parliament in the form of the following laws.

1. Laws on representation of employees on boards of private companies and public agencies (1972). According to this Act, a union or a number of unions organizing 50% or more of the work force has the right to appoint two board members. As boards in general have five or more members, this means minority representation for the union. The system was first introduced in 1973 and limited to private companies with 100 employees or more, excluding banks and insurance firms. It was also introduced into fifty national government organizations and into local government, with union representatives sitting on administration boards in an advisory capacity. In 1976, the Act was extended to cover companies in the private sector with twenty-five or more employees. Swedish unions have seen their token representation on boards more as a means of obtaining information than as a means of gaining influence over decisions. The Swedish system of board representation for unions differs from the Norwegian and German systems, as in these latter countries, unions control a far greater percentage of total seats on boards and can thus hope to influence some decisions.<sup>7</sup>

2. Security of Employment Act and Promotion of Employment (1974).

This Act limits grounds for temporary or permanent dismissal of employees. The Act stipulates that a minimum of one month's notice be given before layoffs can be enacted. An employee who has worked for the same employer for a certain minimum period (normally 6 months) is entitled to a longer period of notice depending on age. At the age of twenty-five, the time of notice is two months. The longest period of notice applies to people over forty-five years of age who get six months. As well, employers must notify local unions and the county labour market board of layoffs affecting five or more employees. The amount of notice depends on the number of employees to be affected. For example, six months' advance notice is needed for more than 100 employees. The employee can be dismissed only for "reasonable" grounds such as shortage of work.<sup>8</sup>

3. The Workers' Protection Act (1974) strengthened the role of unions in health and safety and environmental issues. This law gives unions a stronger position and greater responsibility for worker protection. Through their representatives on safety committees, employees now have greater influence on their working environment. The Working Environment Act which came into effect in 1978 further strengthened workers' rights in this field. It defined working environment to include such things as work organization, work hours, and adaptation of work to human psychological needs and gave unions a larger say in all these areas.<sup>9</sup>

4. The Co-determination Act (1976). Under this Act, trade unions made a major breakthrough. Matters such as management of companies, supervision of work, pay and working conditions, previously recognized as the sole prerogative of the employers now became subject to negotiation and industrial action. This meant that the definition of "residual right" (i.e., rights other than those formally negotiated) now moved from exclusively an employer's prerogative to one shared, at least equally, with employees and their union. Unions also gained from the employers the priority right to interpret the meaning of existing agreements until the matter is settled in a

### Labour Court.

The Co-determination Act has given workers the right to strike on many matters which were previously not subjects for industrial action. As one observer noted: "It is thus entirely possible to initiate an industrial action on account of the co-determination part of an agreement, even if a pay settlement is reached".<sup>10</sup> The Act also granted freedom of information for unions in regard to company books. The passing of these very radical laws dramatically widened the scope of industrial democracy, and interestingly, these laws were not rescinded by the "bourgeois" government which came to power in 1976.

As well as seeing the passage of specific laws governing labour relations, the sixties and seventies were a time of widespread experimentation at the company level. Any discussion on industrial democracy in Sweden in the seventies would be incomplete without mentioning the reforms undertaken in terms of "shop-floor participation". By this I mean the experiments in "quality of working life" carried out, for example, at Volvo and Saab. These experiments in job rotation, job enlargement, and autonomous or self-steering work groups, set an example which is still being copied in many countries around the world.<sup>11</sup>

### The Meidner Plan of 1976

At its 1975 Congress the SAP, under the leadership of Olof Palme, re-introduced the question of social ownership of production, which had been absent since the SAP defeat in the late forties on this question. At that time the SAP lost the Parliamentary support of the Liberal Party when it attempted to introduce a major nationalization drive. The new 1975 programme stated that the Swedish labour movement was now ripe to move towards economic democracy, the third stage after political democracy (e.g., universal suffrage) and social democracy (e.g. the welfare state).<sup>12</sup>

In 1976, at the LO Congress, Rudolf Meidner presented his report which had been commissioned at the 1971 Convention. In

this document entitled "Employee Investment Funds: An Approach to Collective Capital Formation", Meidner outlined three objectives for the funds.

Our primary task is...to resolve or at least reduce conflict between trade union solidarity and the need, for purposes of distribution policy, to restrain the profits of successful enterprises. Our second objective is to check the concentration of wealth among traditional groups of owners which is the inevitable concomitant of industrial self-financing. This is, of course, merely one part of the problem of unequal distribution of wealth in Sweden....A third aim is to discover ways in which we can increase employee influence over the economic process.<sup>13</sup>

The LO Congress, while supporting Meidner's goals, added a number of provisos to a future fund plan. The LO was concerned that any trade union fund must re-invest its profits within the productive process and not pay out its earnings to individuals. Secondly, the LO wanted the fund to be collectively and not individually owned as this would help "to democratize industrial life" by spreading benefits evenly amongst all workers. In stating this objective, the LO came out clearly against profit-sharing and ESOPs. Thirdly, the LO wanted participation to be linked to profits. High-profit firms should be forced to contribute the most, as they, according to LO, benefited the most from centralized wage settlements by having to pay only "average" wages rather than wages linked to profits as in other countries. Fourthly, the LO vetoed any plan based on capital accumulation in individual firms. Rather, all firms should be implicated. Lastly, the control of the funds should not be left to one union or one group of employees. All employees should have input into the fund's decisions.<sup>14</sup>

Meidner's plan proposed that 20% of all profits in each company be transformed into shares in the company.<sup>15</sup> These shares would then be paid into a central clearing fund which would

administer them and then gradually delegate power and resources to a number of sector funds.<sup>16</sup> The national unions would directly appoint the directors of the various funds.<sup>17</sup>

The issue of the funds played a large part in the 1976 elections. The LO's fund proposal was of course criticized by business and right-wing parties. The issue was complicated by the fact that the SAP had not taken an official stand on the LO's proposal and appeared to be in contradiction with the LO. However the fund issue was not the only one which proved detrimental to SAP voting support. The SAP's pro-nuclear energy stand also cost it many votes as did the state of the economy. The SAP lost power for the first time in forty-four years to a right-wing coalition.

After the elections, analysts tried to determine how and why the fund issue had caused the SAP to lose votes. Was it the principle of trade union investment funds or the modalities of the fund's functioning which many disliked? Some pro-labour observers claimed that the latter analysis was more accurate.

In retrospect it is clear that the public discussion on the funds...which preceded the election focused largely on such technical matters as fund structures and percentages of profit going to the fund, instead of the question of principle underlying the funds.<sup>18</sup>

After the defeat, the LO leadership finally convinced the SAP leadership to adopt the fund idea.<sup>19</sup> At the SAP Congress in 1978, the essentials of the 1976 LO proposal were adopted and one further aim was added to Meidner's initial three aims. "Employee Investment Funds shall contribute to increase collective savings for purposes of productive investment".<sup>20</sup> This addition was due to the "precipitous decline in the willingness to invest. During the two year period 1977-78, capital expenditures in industry fell no less than 30%. At the same time private savings dropped sharply".<sup>21</sup> The SAP Congress decided that a fully elaborated proposal should be voted in 1981.

In 1978, the TCO white collar union endorsed the principle but

not the specifics and held out for some form of collective consumption or individual reward, i.e., the fund could finance union activity, research and development and/or leaves of absences from work. Allan Larsson, head of the consumer co-operative magazine "Vi", and the Center Party both proposed individual share ownership plans, giving citizens say in fund management but not allowing the sale of shares.<sup>22</sup>

#### The LO/SAP 1981 Fund Proposal

In 1981, both the LO Congress and the SAP Congress finally approved a joint report entitled "The Labour Movement and The Investment Funds". In this latest proposal, the funds would be financed in two ways:

1. by an increase in the levy on business for the general Supplementary Pension Funds (known as the ATP system);
2. from part of the profits of joint stock companies. Only excess profit (measured in relation to inflation and interest rates) would now be contributed to the fund at the rate of 20%.<sup>23</sup>

This money would then be distributed to twenty-four Employee Investment Funds (one for each county). These funds would then buy existing or newly created shares in established companies. Media, banks and foreign-owned companies were to be exempt. Each fund could cede up to 20% of its voting rights to the local trade union.<sup>24</sup> The board of administration of the funds would initially come from trade union suggestions and also county councils and town representatives. However, the suggestion was that, later on the boards should be chosen in direct elections by all employees.<sup>25</sup> The 1981 LO/SAP proposal represented, for many observers, a toning down of the "power argument" and a concentration on "capital formation" and "efficiency" rather than on increasing social equality.<sup>26</sup>

The fall 1982 election campaign was centered around the trade union fund question. It was one of the major issues during the campaign. Both the right-wing parties and the Left Party Communists (VPK) attacked the fund proposal. The right-wing parties

instead proposed concentration on share owner funds operated by individual companies or else on existing mutual fund plans in which individuals could invest. In spite of this opposition, the SAP won the 1982 elections and formed a minority one-party government with the support of the VPK.

### The Edin Plan of 1983

After its election victory, the SAP placed on the immediate legislative agenda yet another version of the funds. This new plan was formulated by former LO economist, Per-Olof Edin on behalf of the SAP. The Edin Plan was finally passed into law in December 1983 with all opposition parties voting against it. It became operative in February 1984.

The mechanisms of the Employee Investment Funds (EIF) (this is the official Swedish government name in English) are as follows: five employee funds were to be set up within the framework of the supplementary pension plan.<sup>27</sup> These five plans would each be based in a region of Sweden, north, center, east, west and south. Each fund would be administered by a board of nine representatives appointed by the government (five members at least must represent employees' interest). In the first five boards set up in 1984-85, the LO alone has three out of nine representatives on each fund. However, a new more democratic method of direct election is to be brought in after a public inquiry. The money will be raised in a similar fashion to the LO proposal of 1981. However, a company will be entitled to deduct profits of 500,000 SEK or 6% of the company payroll before paying its 20% of profit tax.<sup>28</sup>

Any one employee investment fund may not hold more than 8% of the voting rights of any company. This would give the funds an aggregate title to a maximum of 40% of the voting shares.<sup>29</sup> The Fourth Pension Fund (FPF) which had been allowed to buy shares since 1973 (see p. 19) was able to possess up to 10% of any firm. This will give the Employee Investment Funds and the FPF a maximum of 50% of the voting power of any one company. The funds would aim at



about 8% of total listed shares by 1990 when the initial plan would terminate. The investment total would, moreover, be limited to 14 billion SEK.<sup>30</sup> This would be done by cutting off employers' contributions when the total is reached.

Each EIF must transfer half of its voting rights to any local trade union which so desires.<sup>31</sup> This means a local trade union could vote up to 20% of total stock in a company with the EIF and FPF board voting another 30%. If there is more than one trade union organization, they must agree amongst themselves on a division of votes. If they fail to agree, voting rights are apportioned according to the number of their members in the firm in question.<sup>32</sup>

The profits from the EIFs would not be paid to individual employees. Rather they would be used for re-investment. As well, a large part of the profits of the funds must be paid back into the public pension plan. The funds would be required to pay a ratio of inflation rate plus 3% to the first three Swedish Pension Funds. The law left the voting power of Swedish share issues as is, which meant that some shares have only 1/1000 of a vote. What this means is that although the funds may buy shares in a company, these shares will not necessarily give full voting rights. Previous plans had called for a reform of the share voting system abolishing the two tier system of shares. Under these past proposals, the trade union funds could also force companies to issue new shares. Thus the EIFs cannot buy equity in companies whose owners refuse to sell their shares on the open market.<sup>33</sup>

The new plan was criticized just as severely by both right and left. The SAF director Olof Ljungren called it a "declaration of war" and in October 1983 organized the largest demonstration ever seen in Stockholm in modern times, with over 75,000 taking part. As Ljungren said:

As early as 1990, the EIF will own more than three times as much of the shares in listed companies as the largest single holder owns today...

with their 40% at stake, the funds can obtain a working majority and thereby controlling influence in the companies of their choice.<sup>34</sup>

The SAF is still contesting the fund and it organized another large demonstration in October 1984. The association of small businesses, Företagareförbundet (FB), has also taken the government to court arguing that the law is unconstitutional on two grounds;

1. the profit tax is a form of expropriation without compensation, and
2. the legislation transfers powers from owners to trade unions.

Both SAF and the FB have refused to sit on the EIF boards leaving them entirely to the trade unionists and co-operative members.<sup>35</sup>

From the opposite point of view, Lars Werner, head of the VPK, echoed others on the left when he said:

Edin's proposal has nothing to do with the original fund proposals. The discussion of power within the companies should start again from the beginning.<sup>36</sup>

After one year of operation, Robin Sears, Assistant Secretary of the Socialist International (of which the SAP is a member) commented to the author that in practice the plan had proved to be a "non-issue". That is to say that it was much less controversial than initially anticipated.<sup>37</sup>

The first year's report of the funds showed that four out of the five funds were formally set up in 1984. One started only in 1985 (the West fund). The total target was 2 billion SEK (or about \$333 million). Only 1.644 billion SEK was raised of which 38% came from increased pension tax and 62% from the profit tax. Of the 1.644 billion, 100 million went to a small business fund and the rest to the five EIFs.<sup>38</sup> The funds placed 56% in industry, 16% in service, 9% in investment, bonds and securities, 7% in banks and insurance and 12% in other businesses.<sup>39</sup> With the victory of the SAP in the September 1985 elections, the funds are assured at least another three years' lease on life. The opposition parties had

promised to dismantle the funds had they been elected.<sup>40</sup>

The Swedish funds, in spite of the modifications brought to the original Meidner plan of 1976, remain by far the most ambitious and controversial of all the existing trade union fund initiatives. The fact that the Swedish system will have experienced almost five years of existence by the next Swedish elections will allow for a very good test of its potential and its overall effects on the Swedish economy and society.

## II. Quebec: Le Fonds de Solidarité

The Quebec Solidarity Fund (Le Fonds de Solidarité des travailleurs de Québec FTQ) was passed into law as Bill 192 by the Quebec National Assembly in a unanimous vote on June 23, 1983.

### The Origins of the Fund

The origins of the Quebec Solidarity Fund, according to the QFL fund spokesperson, date back to 1982. In April 1982, the PQ government held an economic summit together with business and labour. At that summit, the QFL proposed the setting up of a fund to create jobs.<sup>41</sup> The fund was to be established with contributions from labour, government and business and was to be managed jointly by all three groups. At the summit, the union central's idea was rejected by business and government. However, a housing fund, Corvée Habitation was approved.<sup>42</sup> Corvée Habitation was a fund, supported by construction unions, builders and government which was designed to build houses and then offer them for sale with mortgages at lower than market interest rates.

While the Corvée Habitation project proved to be a huge success, the QFL was still interested in starting a larger, more comprehensive job-creation scheme or fund involving workers' investments. The QFL approached the other labour unions and upon their refusal decided to go it alone.<sup>43</sup> In preparing a new project, the QFL first examined the experience of worker-owned or joint

worker-management owned enterprises in Quebec, in which the QFL or its unions had invested. The QFL had participated in the abortive attempt to save a bankrupt textile factory in St. Jérôme. The Tricofil experiment had failed even with massive union and government investments. As a result of this failure the QFL was wary about committing funds exclusively to "problem" enterprises. The QFL also studied the Tembec company. Tembec, is a successful Quebec paper firm, 45% owned by its employees (QFL union members); 45% by management and 10% by Rexfor, a forest products company owned by the Quebec provincial government.<sup>44</sup>

The plant was bought by its employees when its parent company, Canadian International Paper, moved to close it down. For the QFL, the problem with the Tembec experiment was that the union became too "integrated" into the company and had lost its former independent position. Thus, the QFL was against generalizing the Tembec model, in spite of its economic success.<sup>45</sup> The QFL also looked at the American ESOP model as well as other individual stock ownership plans.<sup>46</sup>

The QFL rejected all these schemes, including Tricofil and Tembec, which involved workers being forced to invest in their own companies. The QFL saw all these models as "holding the workers hostage" in that workers were often forced to moderate their contract demands with the threat that "their" company would go under if they did not.<sup>47</sup> The QFL then began to examine larger, more generalized projects in which shares in many companies would be held by a single province-wide fund. These collective funds would invest in existing or in new firms. The QFL called these "collective projects" as opposed to the "individual projects" which involved single plants where individual workers owned shares in their own plant. Diane Bellemare and Lise Poulin-Simon, two economists who advised the QFL, thought that "collective" funds would be able to base their investment decisions on different criteria of profitability from those used by the private investor who seeks maximum returns. They termed this new criterion "collective profitability" and opposed it to "private profitability". They used the term "collective

profitability" because such factors as preserving or extending employment could be taken into consideration before the fund decided to invest. Investing in companies by a collective fund to preserve jobs might result in lower profits than for a private investor but mean greater social benefits.<sup>48</sup>

The QFL studied existing or proposed "collective" fund projects in European countries like Sweden, the Netherlands and Denmark. Because these projects were started in countries with social democratic governments or strong social democratic movements, they were analysed by the QFL to be too ambitious in scope for Quebec.<sup>49</sup> Thus, the QFL began to examine less extensive fund schemes. On November 9, 1982 the Conseil Général (the highest QFL body outside of the Congress) adopted the principle of setting up a union fund. By April 23, 1983 the Conseil Général approved a detailed version of the fund project and mandated the QFL executive to push ahead with its passage into law. The fund was enacted into law, as has been previously noted, on June 22, 1983, after receiving its first reading on June 10 and second reading June 20. A very rapid passage indeed which the Liberal opposition found unusual! The Liberal Party endorsed the fund but criticized the PQ government for using the project to avoid the "real effort" needed to solve the economic problems of Quebec. The Liberals also worried in the debates that workers would lose their investments as they were not guaranteed. Lastly, the Liberals asked if every union federation would eventually get its own fund?<sup>50</sup>

Only after it became law was the fund brought up for approval at the biennial Congress of the QFL on December 6, 1983. There, some 80% of the delegates voted for the fund after a heated debate. Those opposed to the fund came particularly from public sector unions. The Postal Workers' Union (CUPW), as well as sections of the Canadian Union of Public Employees (CUPE), were adamant in their opposition, whereas private or industrial sector unions were generally in favour. Of the fifty speeches during the debate, nineteen were opposed in some way to the fund. The arguments against the fund

ranged from claims that the QFL was embarking on a dangerous path of tripartism, to claims that the QFL was endorsing the opinion of employers and the state who wanted "to sap the determination" of workers by interesting them in management and profits to the detriment of basic union demands.<sup>51</sup> Less than a week after the fund's adoption by the Congress on December 12, 1983, Jacques Parizeau, the Quebec Minister of Finance, gave the QFL a \$10 million low-interest loan for the fund. The Quebec government had already given \$300,000 to complete initial research and to help train 250 union experts on the fund. On February 3, 1984 the fund launched its first official "subscription drive" among QFL members and the general public who were asked to buy shares. The fund's goal was stated as \$200 million and 45,000 jobs by 1988.<sup>52</sup>

Another version of the origins of the fund, comes from journalist and author Graham Fraser. Fraser claims that the idea for the fund came not from the union movement but from former PQ cabinet minister, Denis de Belleval in September 1982. After a visit to Austria, some PQ cabinet and executive members became enamoured with Austrian experiments in corporatism. De Belleval, one of the visitors, drafted a proposal to set up a \$750 million joint investment fund to be managed by labour, business and government. While Levesque, according to Fraser, was impressed nothing came of the proposal and it resurfaced six months later in the QFL. Fraser's version of events is denied by the Quebec Fund spokesperson. Robert Dean, Minister of Revenue for the PQ also confirmed the QFL version in the National Assembly.<sup>53</sup>

#### How the Fund Works

As stated in Bill 192, the Solidarity Fund has four goals:

1. to invest in Quebec enterprises and to furnish them services with the aim of creating, maintaining and safeguarding jobs. (The term "services" appears to mean management, technical or financial assistance).
2. to favour the training of workers in economics and to permit them to increase their influence in the

economic development of Quebec.

3. to stimulate the Quebec economy by strategic investment which will benefit workers and Quebec businesses.
4. to favour the development of Quebec enterprises by inviting workers to participate in this development by buying shares in the Funds.<sup>54</sup>

The fund aims at placing 60% of its investment in risk capital with no more than 5% of the fund in any one firm. The other 40% of the fund will be invested in more secure investments. For the first five years it will not buy more than 50% of any company. The fund will invest, according to the stated goals, in companies whose employees ask for such help and who are already investing in the funds. According to Louis Fournier, press agent for the fund, the main beneficiary of fund investments will be QFL-unionized companies. The fund, according to law, can invest only in companies which have the majority of their employees in Quebec. This means, primarily, small and medium-sized enterprises. The fund is to be administered by a board composed of thirteen members to be divided as follows - seven to be chosen by the Conseil Général of the QFL; two to be elected by shareholders; three to be named by the first nine and represent industry (1), finance (1) and the socio-economic agents [sic] (1); (note: the French term socio-économique implies experts in economics, sociology or related fields); and one director-general chosen by the first twelve.<sup>55</sup> The first director-general is Claude Blanchet, an investment specialist, perhaps better known as the husband of Pauline Marois, Quebec Minister under the PQ.

The fund initially guaranteed a 40% provincial tax reduction for every dollar contributed. As well, the fund could be put into a self-administered Registered Retirement Savings Plan for a further tax deduction for a total of 70-80% of the value of shares purchased. Contributors to the fund receive shares in the fund which will hopefully increase in value over the years. The fund is required by law to buy back the shares at age 60 if you are retired or age 65

otherwise. There are however, exceptional circumstances such as early retirement, sickness, emigration or long-term unemployment which will allow the buy-back at an earlier date. The fund is thus primarily designed for the individual investor as a long-term investment and part of a retirement savings plan. The law authorizes any investor covered by provincial labour laws to contribute to the plan on a salary check-off basis, a form of time payment.<sup>56</sup>

As a result of a February 1985 meeting with QFL head Louis Laberge, Progressive Conservative Prime Minister Brian Mulroney announced that federal employees would also be allowed to check-off contributions to the fund from their pay slips. And in the May 1985 budget, Finance Minister Wilson announced a federal tax credit to a maximum of \$700 on a \$3,500 investment for fund contributors. This amounts to a 20% tax deduction. After the federal government agreed to give this tax break, the provincial government reduced its own deductions to 20%. In June 1985, Mulroney announced a \$10 million grant to the QFL for the fund.<sup>57</sup> The QFL will invest this \$10 million in the fund.<sup>58</sup> So far (June 1985) the Solidarity Fund has achieved a total worker-contributed capital of \$4 million with another \$6 million promised (by salary check-offs) by some 6,000 total investors. 80% of the money has come from QFL members, 5% from members of other unions and 15% from the general public.<sup>59</sup>

Since its inception, the Solidarity Fund has moved very cautiously. granting a loan to a pottery firm, La Potterie Laurentienne in St. Jérôme, which guaranteed sixty new jobs for a total employment of 240, a \$500,000 loan to a Saguenay saw mill, and a \$700,000 investment in the Pierre Thibault Company, a major North American manufacturer of fire engines. The latter project guarantees a job increase from 150 to 500 jobs over five years. Pierre Thibault is unionized with the UAW. The fund also lent \$500,000 to the Scierie des Outardes in Baie Comeau, boosting employment from 700 to 900. The Coopérative des Consommateurs de Tilly near Quebec City was also lent money.<sup>60</sup>



### The Solidarity Fund and Local Unions

One of the major criticisms from the left (see Chapter 5) of the Quebec Fund is its potential effect on local unions. Opponents of the fund claim that the fund's ownership of, or investment in, a given plant will place the local union, representing workers employed there, in a contradictory position. On the one hand, the union members may be part-owners as QFL fund investors; on the other hand, as employees, they may be fighting for better wages or working conditions.<sup>61</sup> But according to Louis Fournier, the Solidarity Fund has taken, or will take, a series of measures regarding its investments to ensure that the fund and the local union will not be in contradiction and to benefit local unions.

First of all, the Solidarity Fund will choose the representative for any seat on the company board of administration (to which the fund is entitled because of its share ownership) only with local union approval. Secondly, the fund will attempt to gain access to the books for the union. Thirdly, the fund will attempt to sign a "shareholders' collective agreement" with the owners which would guarantee certain rights for the local union.<sup>62</sup> Fourthly, the fund has also won clauses in the collective agreements between QFL local unions and the owners of several Quebec firms. The companies will contribute \$1 to the fund for every \$1 contributed by a union member. This type of clause has now been included in over fifty collective agreements. These range from that of the Soquem-owned salt mine, Seleine, in the Magdalen Islands and Leviton Industries in Montreal, both unionized with the Steelworkers, to more than fifteen small autoparts factories unionized with the UAW. Through this practice, Fournier says, the union hopes to win by collective agreements, the employers' contribution which they could not get through the law.<sup>63</sup>

According to its spokesperson, the Solidarity Fund "must reinforce union action". The danger of co-optation for the local union is countered ultimately by the fact that "the union is free to strike at all times, no matter who owns the firm".<sup>64</sup> The Quebec

Fund is now over two years old and has already become a subject of major interest amongst many other North American unions. The Manitoba Federation of Labour for example, is presently negotiating the establishment of a solidarity fund with the NDP provincial government.<sup>65</sup>

### III. The Italian Fund

The CISL had been one of the European union confederations in the forefront of the effort to establish trade union investment funds, as has been described in Chapter 2. Walter Williams, an expert on Italian co-operatives, claims the idea was first broached in Italy in the 1950s.<sup>66</sup> But in 1963 and 1964, when a proposed fund law met with hostility from the other major confederations and the PCI, the fund project was shelved until the economic crisis of the late 1970s and 1980s.<sup>67</sup>

#### The Gains of the Seventies

The 1970s represented a period of growing strength for the Italian labour movement. Perhaps the fund idea was not revived because unions were able to achieve their aims through militant action alone in a period of relative prosperity and high employment. The upswing for the Italian labour movement is generally considered to have begun in 1969 in the "hot autumn" of labour unrest. That year began a period of intense strike activity. From 1969-1978 the number of days lost in strikes in Italy topped the countries of the Western World.<sup>68</sup> As a result of these militant actions, the Italian labour movement achieved important gains during this period. First, the major Italian unions CISL, CGIL and UIL won large numbers of new members. For example, the CISL grew from 1,620,000 members in 1968 to 2,823,735 unionists in 1976. The CGIL also registered a large increase from 2,625,442 members to 4,300,969 members during the same period.<sup>69</sup> Secondly, the major unions won a majority of seats on the board controlling the National Pension Agency (INPS).

They were instrumental in securing a basic minimum pension for all Italians as well as a pension amounting to 80% of salary after 40 years' work. In 1975, they achieved full indexation of pensions.<sup>70</sup> Thirdly, the unions were responsible in 1970 for winning the passage of a law, the Statuto dei Lavoratori, which regulated the procedure for hiring and for lay-offs. This Charter of Workers' Rights made it difficult, if not impossible, for workers to be laid off in plants with strong unions. The Charter effectively guaranteed a form of job security to many union members.<sup>71</sup> Fourthly, the unions achieved a major victory when, through the collective agreements of 1976, they won a cost of living allowance for all employees, the "scala mobile" or sliding scale which gave automatic wage increases with rising inflation.<sup>72</sup> Fifthly, through the collective agreement of 1975 and 1976 the union won the right to information from management on investments and company profits and losses.<sup>73</sup>

During this period the only hint of future activity concerning solidarity funds was the establishment of a special public fund for investment in small or medium sized enterprises. This was a temporary measure which lasted from November 1976 to April 20, 1978. The government won agreement from all major unions for the implementation of this special measure. All wage increases due to the sliding scale were to be lent by employees to a special investment fund run by the state. This was a mandatory measure designed to offset criticism of the sliding scale from business circles. The measure set a precedent for workers regarding lending part of their salaries for investment purposes. This kind of mechanism was to be incorporated into the first fund proposal.<sup>74</sup>

With the growing economic crisis of the late 1970s, the Italian unions became more receptive to moderating their demands in return for some control over investment practices. Some observers note this change in attitudes of the Italian unions dating from the EUR conference of January 1978. At this conference the three major Italian unions adopted a policy which stated that the unions were now willing to accept certain sacrifices in wages, if unions

could gain some control over the levels and location of private investments, if government would rationalize its investments, and if there was a government effort to reduce non-productive spending.<sup>75</sup>

#### First Union Agreement or a Solidarity Fund

In the spring of 1980, the Italian government tried to cut back on the "scala mobile", and the unions' EUR resolutions were put to the test. At first the unions refused to budge. But during the same negotiations the old solidarity fund idea was resuscitated as a sort of union contribution to fight the crisis. The fund idea would be instituted instead of cutting the "scala mobile". Armed with agreement from all three union centrals, the government, in July 1980, issued a decree setting up the fund. This fund was to be built with a .5% salary contribution from all employees. This contribution or loan would be repayable with interest in five years. The fund was to invest in all types of enterprises but with priority on the South. All major parties except the PCI supported the fund but the right wing of the Christian Democratic Party would have preferred a straight cut in the "scala mobile".

The PCI soon denounced the fund. It attacked the government decree as an unconstitutional method for setting up the project. The Communist Party, then in the opposition, turned the fund down because, according to one observer, it did not want "its" union, the CGIL, to be closely involved in deciding economic policy while the PCI was far from the seat of power.<sup>76</sup> The PCI stirred up opposition amongst workers, particularly in the North. In doing so, the PCI leaders clashed openly with Luciano Lama, CGIL head and also a leading communist, who supported the fund. Lama claimed the fund was in line with the EUR declaration of 1978. In the meantime the government, which had proposed the fund, collapsed for other reasons. After the government collapsed, the UIL also announced it was withdrawing its support for the fund. The CGIL followed suit, leaving the CISL as the lone union supporter of the fund. Faced

with the loss of support from the union movement, the new government and the CISL decided to put the idea on hold.

### The Second Fund Agreement

From 1980 on, a revamped Confindustria (the General Confederation of Italian Industry), the employers' association, led an offensive aimed at securing the abolition, or at least severe weakening, of the sliding scale or cost of living clause.<sup>77</sup> This offensive undoubtedly had an effect on the Christian Democratic/Socialist Government which was anxious to reduce rampant Italian inflation. The government put tremendous pressure on the unions to accept cuts in the cost-of-living indexation clause. During the same period, the CISL continued to lobby for a new Solidarity Fund. A blueprint for a new fund was adopted by the CISL in October 1981. In February 1982, all three federations agreed once again to push for a solidarity fund.<sup>78</sup>

On January 22, 1983, the government managed to secure a common agreement between all three union organizations. The agreement was aimed at reducing the sliding scale of indexation by about 1%, which was much less than the employers wanted. It also froze contracts for eighteen months, centralized negotiations between governments and unions and limited average wage increases to the rate of inflation.<sup>79</sup> In return, the unions won tax reductions for their members and a new agreement to re-introduce a solidarity fund. Point 12 of this agreement stated: "The government pledges to develop a law with the various groups in the society to define the normative instruments to act to create a solidarity fund to support jobs..."<sup>80</sup> In a protocol of intent signed by all major unions and business groups on February 14, 1984, the government put forward its detailed project.<sup>81</sup> The government project was authored by Gianni De Michelis, Socialist Minister of Labour. It was De Michelis who, in 1981 as Minister of State Holdings, had outlined a detailed plan for a refurbished state sector. One of his proposals had been "an increase in the trade unions' share in the responsibilities

for efficiency and productivity through adequate information and the development of industrial democracy".<sup>82</sup>

The latest fund is to be a limited company run by representatives of the union and co-operative movements. Its aim would be to invest particularly in co-operatives and self-managed companies instead of in all types of firms. A "preponderant" part of the fund should be invested in the South of Italy "an area where youth unemployment is highest". All these investments must have "as their aim the development of new initiatives apt to create new employment".<sup>83</sup> Thus, the fund would not invest in already established operations nor in agricultural co-operatives. Rather, in investing primarily in new co-operatives of the industrial type, the Italian Fund differs radically from the funds in the other two countries.

The fund would be financed by the state withholding .5% of employee salaries. This is the same as in previous versions. Contributions would be voluntary but local unions could approve fund contributions and include them in collective agreements making them more or less mandatory. The .5% contribution would be repayable only in five years. Thus it is a kind of medium-term loan. The government was to guarantee repayment of all initial contributions but not the interest those contributions might earn during the five year period nor would the government guarantee the fund's investments.<sup>84</sup> The fund's objective is to build up a capital estimated at \$3 billion by the year 2000. The fund is supported not only by the three major union centrals but by all major co-operative movements.<sup>85</sup> The unions and the co-operative movement are supposed to share the administration of the fund without state interference. However, the actual passage of the law has been held up by debates amongst the various unions and co-operative associations over how the fund is to be administered (i.e., who should sit on the board of administration). Each group is intent on maximizing its own share of control of the fund.

The law has also been delayed by disagreements over a further

reduction in the sliding scale proposed by the Craxi government. A large part of the trade union movement is in favour of this reduction, including the CISL, UIL and the socialist component of the CGIL. The leader of the CGIL, Luciano Lama, is against the government's move but only halfheartedly, according to the British magazine, The Economist. The main opposition has been from the Communist Party, which gathered one million signatures to obtain a public referendum on the wage cut. The fascist party (MSI) was the only other major party to oppose the cut. The referendum held in May 1985, was a victory for the government in favour of cutting the "scala mobile" by a vote of some 53% to 46%. <sup>86</sup>

#### The Funds as a Part of the Neo-corporatist Trend

After having examined briefly the genesis of the Italian fund, I will try to conclude this section by situating the Italian fund initiative within developing trends in the Italian labour movement.

From the late 1960s to the mid-seventies, Italian labour relations were termed "probably the best European model of decentralized conflictual pluralism with strong union control".<sup>87</sup> The Italian movement of this period was seen as perhaps the most militant in the Western World, with the highest number of person-days lost in labour disputes. However, at the beginning of the eighties, the same observer described labour relations as "contradictory" with basic features of conflictual pluralism being replaced by elements of corporatist models.<sup>88</sup>

Other observers have qualified developments in the Italian labour movement since 1978 as moves towards "neo-corporatism" in which, for example, the labour movement accepted cuts in indexation payment in return for state benefits.<sup>89</sup> The unions are rewarded by tax cuts and solidarity funds from the state. In return they accept lower wages, or other cutbacks from the employers. In other words, the state compensates the unions for their losses as a result of business cutbacks. The recent solidarity fund

initiative tends to confirm further this analysis of the changing trends in the Italian labour movement.



## CHAPTER 4

### Trade Union and Employee Funds: Comparisons and Contrasts

In this chapter, I will attempt to contrast the three projects and attempt to account for their differences. I will try to concentrate on explaining some of the possible factors which might be responsible for the distinctions between the funds in the three countries. I will not attempt to tackle in a detailed manner the question why the funds occurred first in these three countries and not in others. To answer this latter question in a serious fashion, I would have to examine why fund projects have not yet been implemented in Denmark, West Germany, Holland or other countries where the fund question has been seriously discussed, and why such projects have never been discussed in many other countries. This would be beyond the scope of this study. However, before beginning this brief examination of the contrasting aspects of the three initial funds, I would like to underline some of the common features in the funds and point the way to some of the possible explanations of these similarities.

#### The Similarities

The funds in Sweden, Italy and Quebec are similar in that all are projects for increasing direct worker ownership as contrasted to both state and private ownership. All three projects would give the trade union movement an ownership base in industry independent of the state. All projects involve some form of collective ownership by employees or trade unions. Either the projects involve property formerly in private hands or they concern the creation of new enterprises as in Italy. In that ownership of industry is achieved by the fund itself rather than by individual workers owning company shares, the funds differ from existing ESOP plans and other individual share ownership schemes. All trade union funds concentrate on ownership of industry rather than agriculture

with the aim of contributing to job creation and helping to fight the effects of the economic crisis. All three funds have as a stated goal the lessening of economic inequality. All three funds had their birth in a two year period 1983-84 after a gestation period which began in the early fifties.

Some of the factors which I think might prove useful in constructing an hypothesis as to why trade union funds were established in these countries and not in other rather similar societies, are the relative strength of the trade union movements in the three countries, and the role and strength of social democracy and the history and success of the co-operative movements in each country.

### The Differences

If we compare the three projects, it is perhaps their basic similarities in form and origin which first spring to mind. However, once the basic similarities have been noted, it is important to focus on the considerable differences between the funds and to try to explain why these exist.

#### 1. How Capital is to be Accumulated

The first important point to compare is the method of accumulation of initial capital. The Swedish EIF scheme, alone of the three funds, is to collect the starting investment entirely from employers without their consent. In Quebec, the fund will come primarily from voluntary contributions. But by giving generous tax breaks and, in fact, some \$20 million in loans and grants, the federal and Quebec governments are, in fact, largely subsidising the fund. In Italy, the fund is to be made up of voluntary worker contributions. However, since local trade unions are putting a contribution clause into local collective agreements, the Italian fund contributions take on a certain involuntary nature. Once approved by a local union all workers must contribute. The Italian state only proposes to guarantee that these contributions will be repaid

in five years and thus plays a smaller role in initial capital accumulation than the Swedish or Quebec and Canadian states.

In Quebec, a few unions have already won clauses in their collective agreements which will oblige employers to contribute an amount equal to employee contributions. This is a measure which the QFL would like to extend to other local unions' collective agreements.<sup>1</sup> The Italian labour unions seem to be preparing for a similar possibility that fund contributions will become the subject of future negotiations by having clauses authorizing contributions included in their collective agreements.<sup>2</sup> But so far it is the Swedish method of accumulation which is the most exacting on employers, and the Italian which proposes to be the most taxing on workers.

## 2. Total Capital in Each Fund

The next important question to examine in comparing the funds is the amounts of total capital to be accumulated by each fund. The Swedish fund aims at 14 billion SEK or \$2 1/3 billion (Can.) by the year 1990;<sup>3</sup> the Italian fund \$3 billion (Can.) by the year 2000<sup>4</sup> and the Quebec fund \$200 million (Can.) by 1988.<sup>5</sup> Since the population of the three areas are respectively some 8, 55 and 6 million, it is probable that the Swedish fund will have far and away the most important impact on the total Swedish economy, with the Italian second and the Quebec, a close third. (See Table 8 ). This also holds true for the per capita fund contribution as a percentage of per capita GNP. The Swedish fund still comes out as the most important. (See Table 8 ).

## 3. Types of Investment to be Undertaken by Each Fund

The Swedish funds can technically invest in most types of Swedish companies, but not in foreign multinationals. However, compared to other Western countries, Sweden has a very small percentage of foreign firms - estimated to be 5% in 1982.<sup>6</sup> Some foreign companies like IBM and Shell are even considered to be Swedish for the purpose of the EIF law.<sup>7</sup> The fact that the Swedish

fund is investing in Swedish multinationals and challenging the Swedish business class for control would tend, in my opinion, to make it particularly threatening for this class.

The Quebec fund is limited by law to investment in companies which have a majority of their employees in Quebec. This means the fund will concentrate on what are generally called small and medium-sized enterprises and excludes most foreign firms. As for the Italian fund, it will be based primarily in Southern Italy, in the co-operative sector. This makes it probably the least threatening for most sectors of big business.

#### 4. Administration of Funds

The Swedish fund system is administered by boards with majority employee representation (normally people active in unions and the co-operative movement) appointed by the government, but this situation is supposed to be only temporary. An inquiry into an alternative method of appointing the boards is to be conducted by the Swedish government. A committee will be given the responsibility of drafting a system of direct elections to the funds' management boards.<sup>8</sup> The Quebec administration is essentially controlled by the QFL with shareholders having a minority representation.<sup>9</sup> The actual modalities of the Italian administration remain a subject of debate but the principle to be applied is control by unions and the co-operative movement.<sup>10</sup> However, for the time being, the Quebec fund remains the only fund truly controlled by a union movement both in terms of the choice of administration board of the fund and the ability to appoint all administrators. Of course, the other Quebec union centrals are not present in the fund, nor do they have their own funds, but this is the result of their decision. This situation will change when the new method of direct elections is instituted in Sweden.

#### 5. Workers' Participation in Company Management

Another characteristic of the funds which is important to examine is the amount of control that local trade unions have in the management of companies in which the funds invest. On a comparative

basis, the Italian fund comes out as the most sensitive to this issue as most of its investments are to be in new co-operatives and a stated goal of the fund is to promote self-management. The Swedish fund can be ranked second as it guarantees local unions control of up to 50% of the voting rights of the fund's investment. The Quebec law establishing the fund has no definite goal, as far as self-management is concerned, but the intention, according to a fund spokesperson, is to get local union approval for any investment in a particular company. However, when comparing the degree of local union or employee participation, it is important to remember that the Swedish fund aims at taking control away from the present owners of big business, whereas the Italian fund only creates new small companies that capitalists probably would not want to administer anyway.

#### 6. How the Profits from the Investments are to be Used

The Swedish fund requires that all profits be kept in the funds for re-investment, except a sum equal to 3% of the total capital held by the funds. This 3% is to be paid into the National Pension Insurance Fund to be used for state pensions. Unlike the Swedish fund, the Italian and Quebec funds both are based on eventual reward to workers for the money they have invested. The Italian fund will pay back the capital lent to the fund plus interest, to fund adherents after five years. The Quebec fund's shares will fluctuate, hopefully upward and the owner can redeem the shares on retirement or in other specific cases. The fund also has the possibility to pay out dividends.<sup>11</sup>

#### Comparisons of Characteristics of Funds

The Swedish fund scheme, in my opinion, is by far the most ambitious in terms of total capital raised, type of investment and methods of accumulation. The Italian fund comes second in total capital and third in all the rest. The Quebec fund is a surprising second in types of investment allowed and first in system of administration. As for use of profits from the funds, the Swedish goal is collective enrichment of society whereas the Quebec and Italian funds have individual goals as well as use of profits for re-investment.

I have tried to organize this information in the following table.

Chart of Fund Differences

	<u>Sweden</u>	<u>Quebec</u>	<u>Italy</u>
Contributions method (3 most worker contribution, 1 least)	1	2	3
Total capital to be raised per capita population (1 most, 3 least)	1	3	2
Worker part in management (1 most, 3 least)	2	3	1
Administration of fund (1 appointed by union and shareholders, 2 appointed by unions and co-operative movements, 3 appointed by government)	3	1	2
Use of profits from funds (1 re-investment and collective benefits, 2 re-investment and individual benefits)	1	2	2

Can We Account for the Differences?

As we have tried to demonstrate in the preceding section, the trade union funds have important differences. The Swedish fund seems to stand out as being far ahead of the Italian and Quebec funds in the aspects that I have analysed. On the other hand, the Italian and Quebec funds seem very close in many aspects. This may seem somewhat surprising as the generally held belief is that the Italian labour movement is one of the Western World's strongest and most militant and thus should logically win a much stronger fund than Quebec's labour movement could hope to achieve. We will attempt to suggest certain hypotheses that may help explain this situation by examining a number of key variables. We will first examine features of the trade union movements, business federations and political parties. We will term these factors the subjective or organizational ones, as they involve the major actors in the trade union fund story. We will then briefly look at the economic factors which we will term objective or structural, as they condition the actions of the first group.

### Trade Unions

Undoubtedly, one of the factors which could help to explain some of the distinctions in the successful implanaton of the funds is the differences in the activities and strength of the various trade union movements. We will attempt to establish a hypothesis based on the relationship of the strength and type of the trade union movement to the creation of trade union funds. This hypothesis which can help explain the differences is that the stronger and more centralized the trade union movement in each country and the closer its relationship with the party or parties in power, the more ambitious would seem to be the fund plan that will be adopted.

In order to develop this hypothesis we will proceed by an examination of the trade union movements. We will compare five of the factors which are important in establishing the relative strength and degree of centralization of the respective union movements: the level of unionization, the divisions in the union movements, the type of bargaining system, the level of union militancy, and lastly the relationship of the party in power to the individual trade union federations.

First, as far as the level of unionization is concerned (see Appendix, Table 3), Sweden is in the strongest situation, with Italy second and Quebec third. The high level of unionization in Sweden most probably helped to achieve passage of an ambitious plan. Some three out of eight people in Sweden, for example, belong to either of the major federations. But the rates of unionization are also quite high in Italy, if compared to France (which has a similar union system), and also high in Quebec, if compared for example to the United States (which has a similar union system to Quebec). However, unlike the Swedish or Italian unions, the Quebec unions have shrunk from 42.1% of the workforce in 1971 to 34.0% in 1984.<sup>12</sup>

Secondly we could look at the factor of division and unity within the three movements. The more united the movement, and particularly the more united or less divided it is around the fund issue, the more comprehensive seems to be the fund plan that is likely

to be adopted. Each country has a movement divided into several federations.

<u>Union Membership in Different Labour Federations</u>		
<u>Quebec</u> (1984) <sup>1</sup>	QFL	320,171
	CEQ	86,200
	CNTU	210,084
	(CLC	2,049,678)
<u>Italy</u> (1979) <sup>2</sup>	CGIL	4,583,474
	CISL	2,915,530
	UIL	1,260,488
<u>Sweden</u> (1979) <sup>3</sup>	LO	2,000,000 (over)
	TCO	1,000,000 (over)
	SACO/SR	200,000 (just over)

Source: <sup>1</sup>Director of Labour Organizations, Ottawa, 1984.

<sup>2</sup>Treu in Crouch and Heller, op. cit., p. 587.

<sup>3</sup>L. Forseback. Industrial Relations and Employment in Sweden, 1979.

The Swedish movement is divided along basically occupational lines. Thus, the LO, closely linked to the SAP, has organized about 95% of blue collar workers while the other major confederation, the politically neutral TCO, has some 75% of the white collar workers. Thus, each federation can be said to speak for a certain segment of society without any competition from other unions as is the case in Italy or Quebec.<sup>13</sup> In Sweden, the white collar TCO has tended to maintain an active neutrality towards the EIF. The TCO once even proposed an alternative plan.<sup>14</sup>

The Italian labour movement is divided along political rather than occupational lines. The CGIL, the largest federation has a mixture of Communist (majority) and Socialist (minority) leadership. The CISL, has a mixture of majority Christian Democrat



(mostly the left wing of the DC) and minority Socialist leadership. The UIL has a mixture of Socialist and Social Democratic leadership. While the CGIL tends to have more manual and lower paid workers than the other two federations, all Italian federations attempt to organize all types of industry. The different federations compete for the same workers on the basis of ideology. In the same plant workers may be divided between the three major unions.<sup>15</sup> In Italy the CGIL has supported the fund, but the leadership of the PCI has been less active in the fund's defence.

In Quebec, the QFL has the largest number of members of any Quebec federation and also the largest number of industrial and private sector workers. In the sense that it is the largest central in Quebec and represents basically industrial and private sector workers, the QFL somewhat resembles the LO in its relationship to other union centrals in Sweden. This is an important factor to consider, as private sector workers in Quebec and Sweden have a greater interest in the fund idea than do public sector workers, since the funds involve only privately-owned firms. The most vocal opposition and the least active support has in general come from the public sector unions. The QFL is made up both of Canadian unions (now the majority) and of U.S. based (or international) unions which form the minority. Canadian unions tended to be in the public sector until recently and U.S. unions in the private sector. With the Canadianization of major unions like the UAW and the CPU (Canadian Paperworkers Union), this pattern is beginning to change. It is the public sector unions like the CUPE and CUPW which have been most critical of the funds within the QFL. The CSN (CNTU) is a sister union of the CISL, in the sense that both are former Catholic unions and both are still members of the World Federation of Labour, the former Catholic international federation. The CSN is mainly present in the public sector. However, although the CSN would seem to be the logical union central to push the ideas of trade union funds in Quebec since it has had regular contact with the CISL, it has in fact remained opposed to the fund concept.

(See Chapter 5 for details). One of the possible explanations could be the difference in political stance between the QFL and the CSN.

Before the 1970s, the QFL tended to support the NDP on the federal level. But the NDP has been, until 1985, an exclusively federal party in Quebec. On the provincial level the QFL openly supported the PQ from 1976 to 1982. At that point, the QFL began to take a more independent stand. In contrast, the CSN broke more quickly with the PQ, perhaps due to the PQ's treatment of public sector workers (a large part of the CSN membership) and the CSN's recent history of having a more left stance than the QFL.<sup>16</sup> The QFL's umbrella body, the CLC, has officially adopted a resolution of support for the fund and such CLC luminaries as the UAW's Bob White, are important backers.<sup>17</sup>

Thus, in resumé, while all three movements are divided, the Italian and Quebec movements remain the most split over the fund issue and the Swedish movement least affected by its divisions when it comes to the investment funds. The Swedish LO is the only federation in the three countries which can claim to speak for all blue collar private sector workers, that is to say, those workers most directly affected by the funds.

Thirdly, a further feature to be examined is the type of bargaining system. The LO, since the Saltsjöbaden agreement of 1938, and the TCO, after World War II, have conducted negotiations with both the SAF and the government primarily on a centralized level. In Italy wages are determined on the local level. But the Italian labour movement has managed since the late sixties to conduct negotiations both with the business organizations and the state on a national level. These negotiations are highly erratic and unsystematic. Compared to Canadian unions, Italian unions remain somewhat weak at the local level, though this has changed dramatically in recent years, after the victories won in the 1980s.<sup>18</sup> In Quebec, private sector bargaining has always been conducted on a plant by plant basis. However, public and

para-public sector workers have negotiated their contracts with the government in a centralized manner on a regular basis since the sixties. The unions have usually formed a common front of all sectors and all federations to negotiate the major issues with the government at a central table. This tradition of centralized bargaining (of a united group of civil servants, teachers and hospital workers representing all union federations) with the government or Quebec state is unique in North America. It resembles, in a limited way, the Swedish situation.<sup>19</sup> This history of centralized bargaining with the government has given the union movement a certain leverage with the government which the QFL undoubtedly exploited in winning the fund in Quebec.

Fourthly, in examining the relative strength of the three union movements, we must consider the level of union militancy. The Swedish unions with centralized bargaining and support for social democratic governments have won excellent benefits for their members without often resorting to strikes (see Table 1). In fact, strikes, apart from the period of 1976-82 when "bourgeois" parties formed the governments, have been few and mostly of a wild cat nature. In contrast, the Italian and Canadian labour movements have been ranked first and second, amongst all OECD countries, in the number of per capita person-work-days lost as a result of industrial disputes between 1969-1978 (see Table 1). In Canada, a large part of the high total of strikes was due to the militancy of Quebec workers. For example, if we compare (see Table 5) the figures for Quebec and for Canada, it is clear that Quebec, with only 28% of Canada's population has often had a much larger percentage of Canada's strike total, than its size would merit.

Fifthly, let us examine the relationship of the party in power to the individual trade union federation. A strong relationship with the party in power is obviously a help in winning passage of a law establishing a trade union investment fund. In Sweden, the LO has had an official relationship with the SAP, which, since 1936, has governed Sweden for all but six years. The

CISL has had a close but not official relationship with the Christian Democratic Party which has governed Italy as the leading member of various coalitions since 1945. The CISL has recently developed a fairly close relationship with the Socialist Party, also an important coalition partner. The QFL, which supported the PQ government from 1976-82, has also had a good relationship with the Conservative federal government since 1984.<sup>20</sup> This can be seen by the fact that the QFL was the only major union federation in Canada to win special favour in the Wilson budget of 1985 with a tax credit for fund investment and was awarded a \$10 million grant from the Conservative government.

Thus, in resumé, the three union movements in the countries which have accepted the funds can be classified as follows: Sweden, generally comes out on top in terms of largest union membership, least union division, and greatest practice of centralized bargaining, and the LO has the best relationship (official links) with the party in power. It is this strength and centralization and the predominant role played by the LO which have undoubtedly contributed to making the Swedish fund system the most ambitious of the three. However, while weaker than the Swedish movement, the Italian and Quebec labour movements are also relatively strong compared to unions in most other Western countries. Both have some history of centralized bargaining with the government and/or employers and both have a high record of strike activity. The militancy of the Italian and Quebec movements is outstanding compared to that found in many other countries and can perhaps help compensate for weaknesses in other areas. The fact that the Quebec labour movement is relatively militant and has a history of centralized bargaining can help explain why the Quebec fund is the relative equal of the Italian one, in spite of the much greater strength in numbers and level of unionization of the Italian movement.

#### Business Federations

Next to the role of trade unions, the role of business

federations would seem to be an important area of inquiry in comparing and contrasting the funds. Here it will be important to study the attitudes of the various business federations to see if the difference in attitudes played a role in fund acceptance or rejection or in the type of fund approved. My hypothesis is that the strength of the opposition of the business federation does not seem to be a factor in the fund issue. Strong united employer opposition was not able to block the passage of the EIF fund law in Sweden. Support for employees' funds by employers' groups, on the other hand, would seem to help ensure success as in Italy and Quebec.

In Sweden, the Federation of Swedish Employers (SAF) and the Federation of Swedish Industries (SI) have mounted major campaigns in opposition to the fund over a ten year period, but their actions have failed to block the approval of the fund and have succeeded only in getting very slight modifications. In Italy, the Confindustria has seemed more interested in reducing the universal COLA law than in blocking the fund. And as the fund did not directly involve any contributions from employers nor any large scale takeover of Italian capital, the employers supported it.

In Quebec, the Conseil du Patronat, the largest employers' organization, saw the Solidarity Fund as a generally positive initiative. One of its members (from the Metro-Richelieu grocery chain) now sits on the board of directors.<sup>21</sup> As early as May 16, 1983, the Conseil du Patronat, the umbrella organization of Quebec employers, endorsed the Solidarity Fund in principle. Their only major criticism was that the project "should not serve as a pretext to give workers, turned shareholders, a privileged status...for example, 'a right to special scrutiny' of company management practices". They were worried it would become "a disguised form of co-management".<sup>22</sup>

There are two possible explanations of these two opposing attitudes on the part of business federations in Sweden versus those

in Italy and Quebec. First, it can be argued that the ambitious nature of the Swedish fund and the relatively moderate nature of the Italian and Quebec funds determined the employers' differing attitudes. The Conseil du Patronat in Quebec was in favour of the fund as long as the fund stayed within the parameters of what it called "economic liberalism", in other words as long as the unions did not gain too much power through the fund.<sup>23</sup> Clearly, the Swedish employers saw the funds as indicating a dramatic turn to the left by the unions (see Chapter 5 for a detailed analysis of the Swedish business criticisms of the fund).

Secondly, perhaps the employers' federations in Italy and Quebec felt that the funds in these countries represented a less system-challenging approach than the policies of confrontation of the sixties and seventies. (Italy and Quebec had the greatest number of strikes amongst OECD countries). Thus, probably the employers' groups felt that the funds were either a means of helping the unions to become integrated into the capitalist system or a necessary trade-off for a more peaceful labour climate.

#### Political Parties in Power

The type of political party in government at the moment of approval of the trade union investment funds would seem to be an important variable to examine in order to explain the differences in the funds we are studying. My hypothesis is that a strong fund is linked to the presence in power of a strong socialist or social democratic party as in the Swedish case, whereas the more conservative or less social democratic the government is, the weaker the plan to be approved would tend to be.

Indeed if we examine the failure to implement plans in Denmark, Holland, West Germany and Great Britain, one of the key reasons would seem to be that new governments, in all cases of a more conservative persuasion, assumed office and blocked the plans. Even in Sweden, the fund idea was first seriously broached in 1975, but because of the conservative-liberal-center coalition in power

from 1976-1982, the fund's realization was impeded. It was only once the Social Democrats were returned to power that the fund was passed.

In Italy, it is the socialist element (amounting to 10-15% of the total vote) in the CD-Socialist-Liberal-Republican-Social Democratic coalition which has seemed to push particularly for the fund's acceptance. The government of Socialist Prime Minister Bettino Craxi, seems intent on bringing in a 'neo-corporatist' model of labour relations and in buying support for wage rollbacks. However, this socialist element represents only a minority partner in the government albeit an influential one. The presence of the socialist element may help to explain the fund's approval, but the weak nature of the socialist component can also help to explain the fund's limited nature.<sup>24</sup>

In Quebec, the PQ which is essentially a nationalist formation, has a social democratic component which has weakened dramatically almost to the point of complete disappearance in recent years. Most of the social democratically oriented ministers were dropped by the end of the PQ's first mandate in 1981 while others left over the PQ's change in political stance over independence. Other factors regarding the party in power would seem to explain the PQ's action. In anticipation of an election, the Quebec government's support of the fund seems an isolated attempt by a lame duck government to maintain some form of labour support after passing laws outlawing legal strikes and rolling back wages in the public sector, as in December 1982. The PQ appointed former Quebec UAW leader and QFL vice-president, Bob Dean, one of the only ministers with a social democratic background, as the Revenue Minister and had him pilot the Bill creating the fund through the National Assembly.<sup>25</sup>

#### Economic Situation - The Public Sector

After examining the differences in some of the major subjective factors involved in fund implementation, we will now proceed to

look at the objective factors in each country and their relations to the funds.

First, let us look at the relation between the type of fund and the extent of the public sector. Is the existence of a more ambitious fund linked to the presence of a large state-owned industrial sector and/or the presence of a sizable co-operative movement in the country in question? Of major European countries in 1976, Italy has by far the larger state-owned enterprise sector with 15% of total employment and 34% total investment. In contrast, Sweden has the lowest number of state-owned companies with only 7% of total employment and 11% of investment. When we look at companies with over twenty employees in Italy, the figure becomes 48% of total employment in 1977 in state-owned companies. State enterprises are found primarily in large-scale endeavours generally confined to North or Central Italy.<sup>26</sup> In Canada, at least one-quarter of all capital stock is thought to be controlled by federal or provincial state-owned corporations (about 12-13% out of this 25% is held by the provinces) and the figure for Quebec is comparable.<sup>27</sup>

As for the co-operative sector, here again Italy clearly leads the way with some 140,000 co-operatives and 428,000 employees in the industrial co-operative sector alone.<sup>28</sup> In Sweden, the co-operative movement is strong but essentially limited to the consumer sector (retail and food stores) and building societies.<sup>29</sup> In Quebec, the co-operative movement is strong in the agricultural sector (for example Agropur) and the financial sector (the Caisses Populaires), but, as has been mentioned, productive co-operatives employ only some 7,000 people.<sup>30</sup>

Thus, the size of the public and co-operative sectors does not seem to have been a factor in determining the scope of the fund in each country. Sweden, the country with the lowest level of state-owned companies, for example, has the most ambitious plan. The only clear relationship would seem to be the fact that Italy, the country with the largest producers' co-operative movement, has a plan oriented towards the co-operative sector.



### Income, Unemployment and Growth

If one looks at current comparative figures for per capita GNP (see Table 6) or unemployment (see Table 7), it would seem that Sweden would be the least likely of all the three countries to produce a very radical plan. Sweden has the highest per capita GNP in the world and one of the lowest unemployment rates in the West. However, if one looks at the change or increase in the unemployment rate over the past years, we would see that Sweden experienced about the same rate of increase as Italy, with unemployment almost doubling in the recent period (see Table 7). Another economic factor which can give us a clue as to the reasons for implanting different kinds of funds, would be the comparative growth rates in each country (see Table 4). This factor is closely linked to investment rates. We will note that the Swedish growth rate experienced the sharpest dive of all three countries in the last decade.

Thus, among the objective factors, the existence of an ambitious fund model in Sweden would seem to be related to rapid changes in the growth and unemployment rates rather than any absolute misery indicators like the percentage of unemployment. Among subjective factors the existence of a strong and centralized trade union movement and a powerful social democratic movement in power would seem to be the key reasons for the existence of a more comprehensive and far-reaching plan in Sweden.

## CHAPTER 5

### Trade Union Funds: Social Democracy and the General Implications of the Funds for the Developed Countries

It is rare in recent times (an age seemingly dominated by cynicism, scepticism and agnosticism) that any one project or law in the Western World has aroused as much interest or controversy as the wage-earner funds. In Sweden, the funds have thrice become a major election controversy and have brought thousands into the streets. In Quebec, the trade union fund has been a source of sharp disagreement between the two major labour federations. In Italy, the fund question, over the years, has been one cause of splits within the left and union movements and the alleged justification for the acceptance of a wage restraint policy.

The funds have come under criticism from political parties from both the right and the left, from business groups and from the unions. Supporters of the funds have also been numerous and influential. As Rudolf Meidner, the Swedish trade union economist, who formulated the first completed project wrote in 1978:

It is a familiar pattern that a reformist proposal such as that for employee funds is distrusted by the social revolutionaries as a defence of the old class order, and by the conservatives as a social revolution. Both these groups have demonstrated that they are persistent losers, when it comes to having some influence on the way society develops. Employee funds are not intended as a deviation from, but as a new step on the long road towards our continuing goal of equality and economic democracy.<sup>1</sup>

Of course controversy is particularly abundant surrounding the Swedish model. This is not only because the Swedish model is the

most far-reaching and developed, but also because Swedish intellectuals have done a great deal to popularize and debate the fund question outside of Sweden, whereas the debate on the Italian and Quebec funds has been largely confined to their respective countries and very little has appeared in the international academic community. This is why we have concentrated on dissecting the debate over the Swedish model while integrating the criticisms from other countries.

### True Believers

Walter Korpi, a Swedish political sociologist, in 1978 published The Working Class in Welfare Capitalism: Work, Unions and Politics in Sweden. Korpi sought to answer Harold Wilensky and other convergence theorists. The American Harold Wilensky in his pioneering work The Welfare State and Equality (1975), had attempted to prove that a country's level of expenditure on social benefits or welfare in general was primarily related to its level of industrialization.<sup>2</sup> In other words, the type of social system was a very unimportant variable.

Korpi developed a detailed research project to attempt to prove that welfare and social benefit distribution were dependent to a large degree on two important variables: the strength of the trade union movement and that of the social democratic party. Korpi went on to theorize that given the present strength of the unions and the Social Democrats in Sweden, it was at last possible to move beyond capitalism.

In advanced industrial societies, the demise of capitalism if and when it comes, most probably will not occur in a revolutionary form. It is more likely to be slow and gradual, reflecting the changes in the distribution of power resources in society which tend to accompany the maturation of capitalism.<sup>3</sup>

For Korpi, this vision of the possibility of the peaceful transition to socialism could be seen in the wage-earners' fund proposal:

"This principle (the EIF) allows for a gradual transferring of economic power from private capital to democratically governed collectives".<sup>4</sup> In fact, the only major objection that Korpi has to the Swedish fund project as a tool for reaching socialism is that the funds were to be run by unions. Korpi thinks that the funds should be run by citizens' administration boards rather than trade union bodies; and that these citizens' boards should be elected by the whole populace, including the urban and rural petty-bourgeoisie, rather than only one class or group.<sup>5</sup> "It can, however, be argued that the 'franchise' in the governing of the funds should be extended to all citizens". Korpi then proposed that the administration of the funds be decided as part of a general election.

Such a change of the 'wager-earners' funds' into 'citizens' funds' would also make it possible to use the established party system for democratic control over the fund....The political parties can then nominate candidates to the boards of the funds and elections can, e.g., take the form of an additional ballot in the general election.<sup>6</sup>

Needless to say Korpi's suggestions were not adopted by the LO or the SAP.

Bengt Abrahamsson and Anders Broström in their 1979 work, The Rights of Labour: Roads to Economic Democracy, put forward the argument that labour has a moral, political and economic right to dispose of the products of its labour, i.e., to ownership of the means of production. In this book, as well as taking on Swedish conservative opponents of the funds, Abrahamsson and Broström argue against the concept of 'functional socialism'. 'Functional socialism', developed by such figures as Östen Undér and Nils Karlby and Gunnar Adler-Karlsson, was (until the Meidner report) the major intellectual underpinning of Swedish Social Democracy. 'Functional socialism' sees its goals as follows:

First of all, production must be organized efficiently so that a rapid and balanced economic development takes place and full employment is maintained....Second, the results of production must be distributed among society's citizens in a way which is seen as just and reasonable.<sup>7</sup>

In this view of society, ownership can be regarded as being divided into a number of different functions. Thus, for example, the executive power in a company can be separated from the actual financial control of that company. According to the proponents of 'functional socialism' ownership of the economy by the state is not necessary to attain the goals of socialism. As long as the socialist government can control and or regulate the management of industry and commerce, it can attain its goals. Who draws the profits and economic benefits is not the important question according to this view.<sup>8</sup> Abrahamsson and Broström argue that this view of society:

avoids dealing with the question of the right to capital and...the choices of controlling the use of capital. The private right to capital means, among other things that the initiative to where the capital will be invested (or not invested) is outside democratic control. The moving and closing of companies is mainly the product of private decision.<sup>9</sup>

Abrahamsson and Broström see the funds as a crucial antidote to this view of socialism because the funds can help transfer ownership rights to labour.

Ulf Himmelstrand together with fellow Swedes Göran Ahrne, Leif Lundberg and Lars Lundberg in their book, Beyond Welfare Capitalism: Issues, Actors and Forces in Social Change (1980), believe, like Korpi, that the funds offer a possible transition to socialism. Himmelstrand et al. view the Swedish model in the past as having been a trade-off or compromise between social democracy and big business. Rather than representing the permanent inclusion of the Swedish working class in capitalism, the Swedish model is

seen as part of a balancing act between labour and capital. Now that the Swedish labour movement and social democracy have acquired the needed strength (such as unionization of virtually all blue and white collar workers) the compromise can be surpassed in labour's favour. Himmelstrand et al. think that Swedish social democracy:

by helping capitalism to develop and to mature, in fact, (if not always in conscious and deliberate manner) has brought Swedish society closer to socialist transformation.<sup>10</sup>

Marx, they contend, saw the fundamental contradiction in capitalist society as being between the increasing social character of the forces of production and the increasingly concentrated private ownership of the means of production. According to Himmelstrand et al., the continuing development of capitalism over past decades has meant that this contradiction has become more acute. It is only in today's Sweden that the resolution of this contradiction is now possible and socialism becomes imminently realizable. In developing this idea, Himmelstrand et al. come very close to the Menshevik position in the years preceding the Russian Revolution, when such figures as Martov and Plekhanov argued for the development of Russian capitalism as the best step towards creating the conditions for socialism.<sup>11</sup>

Wage-earners' funds represent a step towards socialism, according to Himmelstrand, because they allow for a decentralized market version of socialism which is different both from the pluralist capitalism of the West and the centralized, bureaucratic socialism of the Soviet variety.<sup>12</sup> But Swedish intellectuals are not the only backers in the intellectual community of the socialist merits of wage-earners' funds. An American intellectual, John Stephens, in his study entitled, The Transition from Capitalism to Socialism, seeks to demonstrate that the transition to socialism is possible in advanced capitalist societies but that it will occur in a peaceful fashion. The main independent variable is, according to Stephens, the strength of the labour movement.

Not only is the strength of labour organization the key to the struggle

for socialism, it is also the main causal factor in the equalization of income and control that has occurred to date.<sup>13</sup>

Stephens goes on to demonstrate that high union centralization and membership along with high levels of support for socialist parties tend to produce higher levels of welfare spending and greater income equality, with Sweden, Norway and Denmark at the top of the list.<sup>14</sup>

Today, because of the strength of the trade unions and social democracy, Sweden is now in a position to move towards socialism, according to Stephens. This is due to two immediate factors:

First, the decline in farming population and growth of the non-manual working class and the upper middle class weakened the objective class base for consumption and mobility politics and strengthened the base for production politics. Second, the growth of white collar labour organization decisively changed the balance of power in civil society, making a direct attack on capital possible.<sup>15</sup>

Stephens defines consumption politics as meaning that political blocks and alliances are divided along income lines (e.g., rich and poor) and not class lines. Consumption politics aims at changing the distribution of consumption. Thus, the non-manual working class may have two different interests depending on whether workers are at the top or bottom end of the income scale. Mobility politics focuses on the struggle to increase social mobility. Since perfect mobility cannot be achieved without a considerable reduction in social inequality, Stephens sees the alliances in mobility and consumption politics as very similar. Production politics according to Stephens, aims at changing the distribution of control. Class alignments match the working class against the capitalist class with what Stephens calls the middle classes and petty bourgeoisie mostly objectively neutral. As the farmers (petty bourgeoisie) decline along with the upper middle class and as the working class grows, so does the tendency to production politics. According to Stephens,

unionization of the white-collar workers only strengthens this trend.

Wage-earner funds are, for Stephens, a model for transition to socialism not only in Sweden:

The Swedish employee investment fund model...is almost certain to replace nationalization as the primary path to gradual socialization of the economy in the programs of most socialist parties attempting to move beyond the welfare state towards socialism.<sup>16</sup>

Other prominent American advocates of "fund socialism" are Michael Harrington and Irving Howe. Harrington in a recently published interview with himself and Howe in the New York Times has said:

I think one of the most interesting developments in the world socialist movement is the idea of wage-earner funds in Sweden under which there would be a kind of decentralized social ownership.<sup>17</sup>

In Yugoslavia, Branko Horvat, author of numerous works on self-management and Yugoslavian socialism, has been one of the consistent backers of the funds as a transition to socialism. In a 1979 article "Paths of Transition to Workers' Self-management in the Developed Capitalist Countries", Horvat saw projects like the funds as an alternative that employers would in the end be forced to accept because other options are worse.

Why would employers accept a profit sharing policy which will eventually lead to an expropriation of productive capital? The answer is that they would not. They will oppose and sabotage the policy as much as they can. But they will realize that the other two alternatives are even worse. These alternatives are: labour unrest and/or government intervention assuming that the government is controlled by socialist parties.<sup>18</sup>

Horvat sees the transition period to fund socialism as being long because governments may be defeated and policies reversed. But in the meantime, according to Horvat, "workers will learn to run



the firms". The transition to socialism is inevitable in the long run, according to Horvat, if only labour managed firms can prove that they are more efficient than capitalist ones and this, Horvat believes, is possible, too, in the long run.<sup>19</sup>

In Quebec, the funds have been seen by some intellectuals not so much as a transition to socialism but rather as a reform of capitalism giving greater power to labour and helping usher in a democratic socialism. Louis Fournier, public relations officer for the Quebec fund and himself an author and journalist, has said that:

The fund has to be seen along with a series of other measures such as a leading role for the state in public enterprises, stricter control of private enterprise, the channeling of collective savings towards economic development...; a law against company shut-downs and layoffs or one which would minimize the effects of training and recycling and finally, last but not least, the reduction of work time.<sup>20</sup>

In other words, the fund concept is part of a package that would, as well as contributing concretely to job maintenance and creation in Quebec, correspond to the QFL project for society, democratic socialism.<sup>21</sup> Such well known Quebec intellectuals as Jacques Dofny, Alfred Dubuc, Pierre Fournier, Pierre Fortin, Jacques Grand-Maison, Pierre Harvey, Daniel Latouche, Marcel Rioux, and Jacques Poullard have also publicly endorsed the funds.<sup>22</sup>

In English Canada, Ted Jackson developed a paper entitled 'Worker Ownership and Economic Democracy' for the Canadian Centre for Policy Alternatives, a think tank funded by the NDP and organized labour. In the paper, Jackson highlights the QFL fund.<sup>23</sup> In 1983, a group of prominent Manitoba left-wing economists, including Cy Gonick, developed a program advocating wage-earner funds for Canada which they submitted in a brief to the MacDonald Commission.<sup>24</sup> The Catholic Church in Canada, which in terms of economic policy has moved quite far to the left, has openly endorsed the Quebec fund.<sup>25</sup>

In Italy, the fund has been endorsed by such figures as

Antonio Letterier of the CGIL executive who said the fund "is a limited but not negligible instrument of solidarity". Dario Mangozzi, president of Conf-cooperative, one of the largest co-operative associations, underlined the self-management aspects of the fund.<sup>26</sup> Gino Guigini, professor of labour relations at the University of Rome has suggested that "The Solidarity Fund can mean an era of great political renewal for the unions, but that depends on the level of commitment of the unions".<sup>27</sup> Guido Baglioni, professor of economic sociology sees the debate over the Italian Fund as belonging to the wider European discussion on similar projects occurring in Sweden, Holland, France and Belgium.<sup>28</sup> Aris Accornero, professor of sociology at the University of Rome sees the Fund as "a possible occasion to experiment with autonomous forms of job creation".<sup>29</sup>

#### Critics from the Left

If the funds have come under attack from business and right and centre parties, they also underwent criticism from the left and from within the trade union movement. In West Germany, the Metal Industries Trade Union, the most militant West German Union, rejected all fund schemes claiming that the situation of "dependence of the workers is not altered by this arrangement". Instead, the union advocates a "collective wage bargaining policy" which will secure for the workers a "higher proportion of the national product".<sup>30</sup>

In Quebec the Confédération des Syndicats Nationaux (the Confederation of National Trade Unions)(CSN), has rejected the QFL fund, but according to a leading CSN economist, will not make a totally open criticism. However, in the documents from the May 1984 Congress, S'organiser pour Travailler et Vivre Autrement the CSN makes three major criticisms of the idea of a Solidarity Fund. Firstly, it argues that in a period of economic crisis: "It does not seem appropriate, as other organizations [read QFL] are going to ask them [the workers] to reduce still more their disposable income by contributing to investment funds which will purchase shares".<sup>31</sup>

This criticism refers to the QFL method of fund-raising based on voluntary contributions. Secondly, the CSN says:

There is at least a contradiction in sending each month millions [of dollars] to the United States in the form of contributions to pension funds and at the same time asking its affiliated members to contribute two hours of salary each month to an investment fund for the purchase of shares of "home-grown" companies.<sup>32</sup>

(Many of the QFL unions are International or U.S.-based unions which pay dues to a U.S. headquarters). Thirdly, and perhaps most importantly, the CSN criticism of the Solidarity Fund is contained in the CSN idea that "l'argent est là". In other words, the potential investment capital is already there. There is no point in starting new funds. What one has to do is to gain control of the Caisse de Dépôt or at least democratize it, gain control of the pension funds, retirement saving plans and regular savings.<sup>33</sup> The conclusion is that QFL is misleading workers about the real tasks necessary to achieve economic democracy.

In Sweden, the criticism from the left came first from the Left Party-Communists (VPK), (government supporter of the minority SAP) which initially claimed from 1976-1982 that the "fund proposal was far too cautious and would have no noticeable impact on the distribution of wealth or economic power."<sup>34</sup> Although it later rallied to support the fund and in fact was responsible for securing the final version's passage into law, the VPK has always maintained that the fund does not go far enough and that what is needed are much more far-reaching funds (in their funding and scope) as a prime tool of economic democracy.<sup>35</sup>

In North America, in general, both the CLC and the AFL-CIO have, until recently, been generally wary of all forms of industrial and economic democracy. As a former AFL-CIO union official said:

Union representatives are clearly suspicious of an analysis that

challenges the fundamental precept of the trade union movement. When you suggest that the basic problem has to do with the nature of the job and the way the plant is structured, rather than wages, fringes and other things basic to the bargaining process, then union representatives understandably get nervous.<sup>36</sup>

Or, as William Winpisinger, head of the Machinists' Union, said in opposition to industrial democracy schemes: "the greater the wages, the greater the job satisfaction".<sup>37</sup> In Canada, the Canadian Labour Congress (CLC) has often felt that its first priority politically has been to elect NDP candidates and governments to office and, thus, has been reluctant to engage in any major overhaul of the industrial system without a social-democratic government. That is to say that even though the 1976 CLC Congress endorsed tripartism and industrial democracy, the CLC has been wary of any far-reaching agreement with Liberal or Conservative federal governments.<sup>38</sup>

Amongst the intellectual community, the funds have not failed to produce their own critics from the left. The critique from the left of the Swedish fund has tended to base itself on a particular definition of Swedish society. First let us look briefly at this critique of Swedish social democracy. Rather than seeing Swedish society as a type of compromise, reflecting the existing strength of labour and business, a compromise which implied certain gains for labour, these intellectuals have tended to share the view of Sweden as a form of corporatist or neo-corporatist society. While recently there has been some re-interpretation of some forms of corporatism<sup>39</sup> as being somewhat positive, particularly since these "corporate" societies have proved more resistant to high rates of unemployment and cuts in social spending, the general use of this term in the past has been a negative one. Both Leo Panitch<sup>40</sup> and Colin Crouch (at least in his early works) have tended to propound the view that corporatism is:

best regarded as a strategy pursued by capitalism, when it cannot adequately subordinate labour by preventing its combination and allowing market processes to work...<sup>41</sup>

Thus, according to this view of Swedish society, we can conclude that unions in Sweden were worse off than those in Britain, France or Italy, in one sense, because they were more integrated into the capitalist state. Union leaders have been bought off in return for high salaries and government appointed seats on various tripartite boards. Unions in Sweden, were seen as basically possessing little potential for social change. Panitch claimed that social democratic corporatism should serve "as a warning light in the construction of revolutionary strategies for a democratic transition (to socialism)". In general, he saw corporatist political structures as "incompatible" with the autonomy of the working class necessary for socialist change, and argued that they should be avoided.<sup>42</sup> It is within this perspective of European corporatist society that many of the criticisms from the left of the Swedish fund or other fund proposal place themselves.

For example, Finn Valentin, a Danish scholar, claimed that "the advanced Danish welfare state drained the autonomy and self-management of the individual". He looked on the wage-earners' fund proposal as aggravating "the labour movement's present problems of passivity, bureaucracy and only formally democratic decision-making processes".<sup>43</sup> Valentin outlines how the funds would augment and not weaken the integration of the working class:

The fund's fundamental interest would be to see optimal returns for its invested capital....This produces definite interest in such phenomena as wage-sweating, rationalization, closing unprofitable enterprises in spite of unemployment problems...<sup>44</sup>

Finally, Valentin sees the funds as the beginning of the "appearance of a kind of state/labour union capitalism"<sup>45</sup> which would go against real self-management for the working class.

From a conjunctural economic viewpoint, these scholars tend to look upon Scandinavian society of the sixties as an example par excellence of the application of Keynesian economics. The failure of Keynesian economics, during the world crisis of the 1970s and 1980s, was the main reason for the unions' and the social democratic parties' bringing in the idea of the funds. In other words, the funds are an attempt to save Keynesian economic policy by increasing investment in order to create jobs. Thus, according to this theory, the growing unemployment and the failure of industrial policy prompted the emergence of the fund idea from unions and social democrats who saw their world crumbling around them. Thus, the *raison d'être* for the funds was the growing weakness of unions who were losing thousands of members in plant closings and the weakness of social democracy which as the party in power in Sweden and Denmark was held responsible for the crisis by many voters. This view is contrary to the view held by Korpi, Himmelstrand, Abrahamsson and Stephens that the funds are a result of the strength of labour and social democracy.

Jonas Pontusson, a Swedish intellectual, takes on the Korpi-Himmelstrand-Stephens view of the wage-earner funds. According to Pontusson, the three authors make some wrong assumptions about Swedish society. Swedish labour strength may have grown but so have the resources of capital. Pontusson argues that the Swedish fund is in fact an "immediate response to the immediate problem associated with its (the LO's) wage bargaining strategy". In other words, the funds were a response to the economic crisis rather than the conscious step towards socialism that is seen by the other authors. Pontusson sees the funds as being only a partial answer to the erosion of labour strength and political hegemony which occurred in the 1970s.<sup>46</sup>

The Quebec fund has also been subject to a scathing critique from the left. In an article entitled "La FTQ et la Solidarité à l'américaine", Jean Marc Piote criticizes the fund as a volatile venture which will not work. "...the leadership of the QFL is

asking workers to risk a part of their earnings in an adventure through which the unions will hardly raise their economic power in the society".<sup>47</sup> What seemed particularly to trouble Piote was that two of the principal union authors of the fund proposal were also the same ones who had co-authored the radical union manifestos of the late sixties and early seventies - Jean-Guy Frenette was largely responsible for the QFL manifesto "L'Etat rouage de notre exploitation", and Jean-Guy Lorange helped produce the CSN's manifesto, "Ne comptons que sur nos propres moyens". For Piote, author of studies on Lenin and Gramsci, the fund indicates a turn to the right for the union movement towards what he calls "American-style solidarity". He used this term in reference to American unions who have amassed huge pension funds used for strictly profitable investment purposes in American capitalist firms. In fact he terms the fund idea as a "hidden ESOP".

Quebec economist, Louis Gill, sees the Quebec fund as incompatible with labour's stated objective of full employment. Gill analyses the failure of Tricofil, the worker-owned knitting mill in St. Jérôme in the seventies and early eighties. He sees the Solidarity Fund as a "National Tricofil" which will force workers to accept layoffs and cutbacks in wages in the name of profitability. In this sense, he sees the funds as a "mystifier of finance capital".<sup>48</sup> It gives the illusion of worker control while functioning just like any other capitalist.

We are driven, whether we like it or not, into the logic of the defence of the firm, to call on the "maturity" of workers and their "social responsibility" to understand the necessity of the sacrifices and concessions needed to support profitability, without which there is no employment in a capitalist regime, but which means often also for its maintenance that jobs are done away with in a massive fashion.<sup>49</sup>

### The Right Critique

But the funds have not only been attacked from the left. The right in Sweden, above all, has been particularly active. As the projects in Italy and Quebec appear to be much less threatening to those of a conservative persuasion, it is perhaps no wonder that few detailed criticisms from the right have appeared.

In Sweden, the criticism from business was elaborated by, the Swedish Employers' Association (SAF), the umbrella organization and particularly by the Federation of Swedish Industries (SI), the manufacturers' organization. The SI criticized the funds from a number of different viewpoints. First of all the SI claimed the funds are:

A major step towards a socialization of business in Sweden. Estimates suggest that within ten years, the funds would control from 15-20% of the total ordinary stock quoted on the Stockholm Stock Exchange. It is also quite evident that by that time they will also hold a controlling interest in most, if not all, major Swedish companies.<sup>50</sup>

But as Heckscher has pointed out, this type of "ideological" criticism has not always been the most profitable.

'Capital', 'capitalist' and 'capitalism' being bad words, it is doubtful whether public opinion can be influenced to any major extent by proving that employee funds or economic democracy injure the legitimate right of ownership.<sup>51</sup>

Rather, in a more sophisticated analysis entitled The Welfare State in Crisis - The Case of Sweden, Per-Martin Meyerson, the leading SI economist, outlines the causes of the sickness in the Swedish economy, as being a lack of "flexibility" in wages, "discriminatory taxation" and "too many government subsidies to aging industrial sectors".<sup>52</sup> Thus, Meyerson sees lowering tax rates and encouragement of private investors as solutions. Meyerson and SI see the "fund socialism" or "blue and yellow socialism" as a move which will worsen the present crisis. According to Meyerson, the funds



are just a disguised form of tax increase when what is needed are lower taxes. They will lead to inefficiency in management of fund-controlled companies as the owners (the funds) will have no "genuine interest in maximizing profits".<sup>53</sup>

Present forms of collective ownership, both co-operative and public, in Sweden have already failed. First of all consumer co-operatives have a limited role, while producer co-operatives in the forest product industry have failed because profit maximizing was not their goal. Meyerson then goes on to attack state ownership as a complete failure. Here he cites the example of the troubles of two government banks and a government corporate group created in the 1970s. And, as a final shot, he claims that the failure of a major Swedish construction firm, BPA, owned by the trade unions is "largely attributable to its form of ownership".<sup>54</sup> Meyerson believes that private ownership produces the most efficient allocation of resources. Fund socialism will stifle private sector willingness to invest.

[it] will not return us to a more profit-directed efficient distribution of resources. Instead it will expand the domain of tax-financed, selective industrial policy...<sup>55</sup>

Finally, Meyerson claims that the funds:

will entail a concentration of the ownership function to a very small number of officials and politicians, along with the experts consulted by them. In such a system there will not be many countervailing forces and competing centers of power, which are independent of each other.<sup>56</sup>

In this sense, the SI and conservative politicians like Heckscher, criticize the funds as being destructive of the system of countervailing power, which they see as the basis of Western democracy.

As Heckscher, former leader of the Conservative Party in Sweden, says:

It would be difficult to maintain a pluralist system of democracy if economic power were to be concentrated

in the hands of politically elected  
authorities together with labour unions  
who would often be their allies.<sup>57</sup>

It is interesting to note that the basis of this argumentation was first developed by John Kenneth Galbraith in the 1950s in his classic work, American Capitalism, the Theory of Countervailing Power. However, in this book, Galbraith defended the existence of trade unions and other such organizations as vital pluralist counterweights to growing business concentration and monopolization.

Assar Lindbeck, prominent Swedish economist, developed a scathing critique of the funds entitled, "Can Pluralism Survive?", which he delivered as a lecture at the University of Michigan and later expanded into a book, The Fund Issue, (1979). As one might guess, Lindbeck's view is that democratic society as a whole, founded on pluralism, is threatened by the creation of the funds. By pluralism Lindbeck means a system where "no one single organization or type of organization dominates the society".<sup>58</sup> Lindbeck views labour union control of capital as putting pluralism in danger. And he sees Sweden as not being alone in this trend. Rather,

some of the organizations which, at the beginning of the century contributed to the pluralistic nature of society, such as labour unions, now tend to be so strong in some European countries that they may dominate these societies and hence be a threat to the pluralism which they themselves helped to create.<sup>59</sup>

Instead of the present funds, Lindbeck proposes an alternative-pluralist citizens' fund where a large number of citizen-controlled funds would compete for ownership.

Lidén and Lindencrona (1979) have outlined along with a critique similar to Lindbeck's yet another alternative solution. Lidén and Lindencrona base their alternative on the concept of functional socialism. Ownership of shares can be broken down into the economic rights of shares (i.e., dividends and profits) and the

managerial power right of company administration. Thus, according to Lidén and Lindencrona, the owners should be allowed to keep their economic right while ceding their management right to labour.<sup>60</sup>

In proposing this solution, they echo the arguments of Stig Strömholm, Swedish law professor, who sees the funds as an illegal "compulsory regulated transfer of property" which goes against the "protection of individual ownership rights" which the law offers.<sup>61</sup>

### Sceptics and Agnostics

Yet a third current of intellectual analysis is provided by Anthony Giddens and Claus Offe. Giddens and Offe in a round table review (written together with B. Gustafsson) of Himmelstrand *et al.*'s book, are not so much concerned with the question, 'will the funds lead to a new version of socialism?' Rather, Giddens says, socialism even in the decentralized Swedish form, may be attainable but it may not be all that good because: "Socialism in whatever form, may have its own contradictions as pronounced as these found in capitalism". These contradictions include problems of bureaucratic domination in socialist societies. According to Giddens, these are not confined to state socialism but "may be endemic to envisaged forms of decentralized socialism also". Even if socialism is successful it "may impinge only marginally, upon some of the deepest problems of modern civilization - ecological devastation and the threat of nuclear war".<sup>62</sup> Offe takes a slightly different view, but just as pessimistic. Socialism may not be really attainable because most people do not want it. Offe asks if socialism "coincides with the driving forces behind the action of men and women in society. Socialism, as the authors find, is not the most generally accepted quintessential definition of such conception of the good life not even in Sweden". According to Offe, because our societies have a very different dynamic than that proposed by Himmelstrand, it is unlikely that people in Sweden or elsewhere will adopt a social democratic conception of social order.<sup>63</sup>

### Differing Views of the State

In this Chapter, I have tried to present an analysis of different viewpoints on the wage-earners' funds. Beneath the views of the supporters and left and right critics are, I would contend, different analyses of the state. The left viewpoint tends to see the state from a Marxist perspective, that is to say, an instrumentalist or structuralist approach where the state apparatus is controlled by one class or different fractions of that class - in the case of Western Europe and Canada, the capitalist class.<sup>64</sup> From this perspective any bargain or pact struck with the state by the labour movement is, in general, a sure sign of integration into the system or class collaboration.

The right critics of the trade union funds tend to view the state in the Western democracies as a neutral black box which arbitrates the different concerns of various actors and assures the continuity of a pluralist society. From this point of view, the trade union funds are an example of the state betraying its neutrality and leaning towards the trade unions so as to destroy pluralism.

From the position of the supporters of the funds, the state is rather an object of class struggle or a terrain of battle between classes, with both working class capitalists struggling to win policies and set up structures favourable to their interests. The fund laws represent a definite victory for the working class in a positive future-defining sense on the road to socialism.<sup>65</sup>

For the "agnostics", all forms of politics and state activities seem to contain their inevitable compromises and contradictions. According to Offe, people just do not want socialism, and, according to Giddens, socialism would not solve the key problems of humanity anyway and probably would create new ones. Thus, no form of state can really be held up as an ideal. It is these very differing views of the state which, in my opinion, underpin the critiques of the funds from different ideological perspectives.

## CONCLUSION

In the Introduction to this thesis, I asked a number of questions that I hoped this thesis would answer.

First, I asked how the general idea of trade union funds evolved and its relationship to earlier forms of economic democracy. Chapters 1 and 2 have answered this question by showing:

1. that the basic idea of workers and trade unions owning and administering the economy (whether in small or large measure) is a persistent theme in socialist, and anarchist and even liberal thought through the 19th and 20th century;
2. that the recent revival of interest in the concept of economic democracy can be linked to the interest in industrial democracy shown in the last twenty-five years;
3. that most common modern forms of economic democracy have achieved some success but have been shown to have certain drawbacks and limitations;
4. that the discussion and propagation of the idea of trade union funds arose in this aforementioned context in Western Europe and grew in popularity in the last fifteen years because this idea responded to some of the basic needs of the trade union movement at that time.

Secondly, in Chapter 3 I tackled the question posed in the Introduction, "How were the three funds in question created in two countries and one province?" I undertook a detailed piecing together from both primary and secondary sources of the historical development of the fund issue in Sweden, Quebec and Italy in which I underlined the role of the respective trade union movements.

Thirdly, in Chapter 4, I attempted to deal with question 4 on what differences there are between the funds and how we can account for them. I brought out the major distinctions between the funds and then proceeded to examine the major variables and how they might possibly account for the differences. It is my

conclusion, as previously stated, that amongst subjective factors the degree of strength and centralization of the trade union movement and the level of strength of the social democratic component in the government are crucial. Amongst objective factors, the rates of change in growth, investment and unemployment rates are probably the most crucial in accounting for differences.

Fourthly, in Chapter 5, I attempted to respond to the last question, whether or not the funds represent a move towards socialism or a further integration of the trade union movement into capitalism in the Western industrial countries. Perhaps surprisingly, both backers of the fund and critics from the right, while divided on their appreciation of the funds, agree that the funds are a step towards socialism. On the right critics seem to look upon the trade union fund idea as destructive of pluralism and democracy and introducing socialism. On the other hand, critics of the fund on the left believe that, rather than leading to socialism, the funds are a further attempt to integrate the working class into advanced capitalism. I concluded that these differing views of the funds seemed to be predicated on very different visions of the nature of the state in capitalist society.

In addition to these conclusions, I would note that, in my opinion, the evaluation of the funds requires a somewhat more complicated answer than, either, yes the funds represent a move towards socialism or no, the funds represent a right deviation. I believe that the funds in all three countries can represent very important reforms for the working class but neither the miracle solution claimed by some nor the retrogressive steps seen by others. Of course, as I have tried to show, it is very clear for me that because of its relative size and scope, and even more importantly because it is the employers rather than the workers who are forced to finance the funds, the Swedish fund, even in its latest toned-down form, stands head and shoulders above the other two in terms of its potential for ushering in changes in ownership patterns.

Nevertheless, given the weak situation of the socialist

movement in Quebec and its divided nature in Italy, and given the cleavages in the trade union movement in both Italy and Quebec, the funds in both these countries also have potential. This potential exists not only in the present, but also, perhaps more importantly, in the future as the funds are one means of opening the door to the reality of direct collective working class and trade union ownership of property. In this sense, the Italian and Quebec funds are also symbols of a future of extensive possibility in spite of their limited present application.

However, my study of the three funds has made me quite aware of the possible danger also inherent in such projects. For example, real possibilities do exist for conflict of interest between the profitability of the firms in which the funds have been invested, and the jobs, salaries and working conditions of the employees. Jobs, salaries and working conditions can all too easily be sacrificed on the altar of maximum profitability. Clearly there will be difficult decisions to be made and local trade unions cannot abandon their vigilance nor sacrifice their acquired rights simply because a firm is controlled in whole or in part by the trade union movement. But I do not see these potential dangers as unavoidable and they are similar in many ways to those which the employees of the co-operative owned or nationalized companies have faced for years. The risk of trade union funds becoming like private sector owners in their attitudes towards their employees exist, but the potential gains in jobs, working conditions and control for employees, in my opinion, can outweigh this danger. In addition, the trade union funds, because of their decentralized, more direct, measure of working class control than that offered by centralized state ownership, may have the potential of offering a better kind of social ownership than the type so often demonstrated by nationalized companies in capitalist regimes. For example, direct trade union control may help overcome the lack of social goals, the bureaucratic methods in dealings with the public and alienation of the employees which have often characterized state-owned

companies. Trade union funds, by allowing for the possibility of real participation by rank-and-file workers and local unions in management, could provide the occasion for tackling some of the above-mentioned problems.

At the same time, I would tend to agree with Gerry Hunnius who has talked about trade union or employee ownership as having not only long-term implications in reversing ownership patterns, but also short-term potential giving rise to immediate collective and anti-capitalist actions. Hunnius used evidence from Peru where once workers have acquired some experience of stock ownership and some ability to verify the books, they have staged actions to demand that the process of economic democracy be speeded up and applied to new areas. Hunnius termed this as part of "a revolution of rising expectations" or "domino theory" where one step gives rise to another.<sup>1</sup> I would speculate that the effects of trade union funds in advanced industrial countries might be different from those in Peru but none the less some form of a revolution of rising expectations is a real possibility.

Whether or not the employee ownership funds in the coming years live up to the potential claimed for them by their creators and supporters, depends, of course, not only on how they perform in practice, but also, how succeeding governments (and particularly those of a more conservative persuasion) seek to modify or even do away with these experiments. However, even if this latter possibility materializes, I would venture to predict that the idea of employee ownership funds will not readily be extinguished.

My hypothesis is based on the fact that the last fifteen years show that the fund idea has been seriously discussed in the majority of countries in the industrialized Western World and has now begun to be implemented. But, perhaps more importantly, the acceptance of the idea of trade union funds in three countries with as differing political, economic and social traditions as Canada (Quebec), Italy and Sweden, would seem to prove the adaptability of the concept to radically dissimilar circumstances,



and thus portends well for further developments. In this sense it is no longer simply a utopian dream, but an idea whose time has come. The support this idea has had amongst working people in Quebec, Sweden and Italy, also shows that it responds to deeply-felt needs amongst working people to control their own economic lives and thus their own destinies.

A P P E N D I X

APPENDIXTABLE 1Volume of Strikes. Annual Average 1969-1978

Country	Days lost per 1000 paid workers
Italy	1,603
Canada	924
Australia	604
U.S.A.	539
U.K.	471
Denmark	253
Belgium	247
France	205
West Germany	53
Sweden	47
Norway	47
Holland	35
Austria	11

Source: J. Anderson, M. Gunderson: Union-Management Relations in Canada, p. 470. (Hereafter referred to as Anderson)

TABLE 2Expenditures on Social Benefits as a % of Gross Domestic Products 1973-74

Sweden	23.9
Holland	23.9
Denmark	20.5
Italy	19.7
Belgium	19.4
West Germany	19.4
France	19.1
Austria	17.4
Norway	17.2
U.K.	13.6
Canada	13.5
U.S.A.	11.7

Source: Anderson, et al., op. cit., p. 475.

TABLE 3Union Membership as a % of Non-Agricultural Paid Workers

Italy (1978)	60%
Canada (1984)	39.6%
Quebec (1984)	34.0%
Sweden (1980)	85% (blue collar 95%; white collar 75%).

Source: Social Indicators for the European Community, Eurostat 1980, p. 70.

Director of Labour Organizations in Canada, Labour Canada(1984).

Quebec Labour Department as quoted in the Gazette, Sept. 25, 1985, p. B1.

Employee Investments Funds LO, 1984, p. 2.

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TABLE 4Rate of Growth in % of G.N.P. Per Annum

	<u>1960-70</u>	<u>1970-81</u>
Canada	5.6	3.7
Sweden	4.3	1.8
Italy	5.5	2.9

Source: World Bank, World Tables, 1983.

TABLE 5Strikes and Lockouts: Persons Days Lost

	<u>Quebec</u>	<u>Canada</u>
1969	1,296,639	7,751,880
1970	1,490,690	6,539,560
1971	615,671	2,866,590
1972	3,480,144	7,753,530
1973	1,810,343	5,776,080
1974	2,690,483	9,221,890
1975	3,555,558	10,908,810
1976	6,583,488	11,609,890
1977	1,433,421	3,307,880
1978	1,869,461	7,392,820
1979	3,658,886	7,834,230

Source: Anderson et al., op. cit., p. 223, 446.

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TABLE 6

Average G.N.P. Per Capita in 1981 Was:

Canada	\$11,400
Sweden	\$14,840
Italy	\$ 6,960

(all figures in U.S. dollars)

Source: World Bank, World Tables, 1983.

TABLE 7Unemployment Figures

	<u>1982</u>	<u>Past Average</u>
Italy	9.1%	(1960-69) 5.2%
Sweden	3.1%	(1960-69) 1.7%
Canada	11%	(1974) 5.4%

Source: World Bank, World Tables, 1983.

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TABLE 8Per Capita Fund Objectives

	<u>Objectives</u>	<u>Per Capita</u>	<u>Per Capita Fund as a % of Per Capita G.N.P.</u>
Italy	\$3 billion	\$53	.8
Sweden	\$2.33 billion	\$279	1.9
Quebec	\$200 million	\$31	.3

Note: All figures rounded off.

Population figures from Whitaker's Almanack, London, 1985.  
(Italy 1983, Sweden 1982, Quebec 1981).

LIST OF ACRONYMS

CD	Christian Democratic Party of Italy
CdeP	Conseil du Patronat (Québec)
CDP	Caisse de Dépôt et Placement (Québec)
CEQ	Quebec Teachers' Federation
CGIL	General Italian Confederation of Labour
CISL	Italian Confederation of Workers' Union
CLC	Canadian Labour Congress
CSN/CNTU	Confederation des Syndicats Nationaux Confederation of National Trade Unions (Quebec)
DGB	German Trade Union Association
EIF	Employee Investment Fund
FTQ/QFL	Federation des Travailleurs du Québec Quebec Federation of Labour
LO	Trade Union Confederation
NDP	New Democratic Party of Canada
NKV	Dutch Catholic Trade Union Federation
PQ	Parti Québécois
SAF	Federation of Swedish Employers
SAP	Social Democratic Party of Sweden
SI	Federation of Swedish Industries
SP	Socialist Party of Italy
TCO	Central Organization of Salaried Employees
UIL	Italian Union of Labour

Footnotes - Introduction

- <sup>1</sup> See H.C. Jain. Worker Participation, Success and Problems.
- <sup>2</sup> See D.V. Nightingale. Workplace Democracy.  
See Stuart Clegg, "Organizational Democracy, Power and Participation",  
pp. 3-35 in Crouch and Heller (ed.) International Yearbook of  
Organizational Democracy for the Study of Participation,  
Co-operation and Power, Volume I. Organizational Democracy  
and Political Processes.  
  
See Also Elizabeth Chell "Political Perspectives and Worker  
Participation at the Board Level - The British Experience"  
pp. 487-505 in Crouch and Heller, op. cit.
- <sup>3</sup> J. Crispo. "The Future of Canadian Industrial Relations",  
pp. 524-535 in Union-Management Relations in Canada. John  
Anderson and Morley Gunderson.
- <sup>4</sup> See Quality of Working Life, a regular publication of the Ministry of  
Labour, Ottawa, Ontario.



### Footnotes - Chapter 1

- 1 See Chapter 2, p. 23.
- 2 In this sense I am following the cross societal treatment used by Paul Blumberg in his pioneering work Industrial Democracy when he examined this phenomenon in the USA, Britain and Yugoslavia amongst other countries.
- 3 See C. Hill, The Century of Revolution 1603-1714, pp.129-133 for a description of British trends and See Albert Fried and Ronald Sanders (ed.) Socialist Thought, pp. 14-72 for the French trends.
- 4 C.B. MacPherson, The Political Theory of Possessive Individualism Hobbes to Locke, p. 3.
- 5 Jeremy Bentham, quoted in B. Abrahamsson and A. Broström, The Rights of Labour, p. 90.
- 6 John Stuart Mill, The Principles of Political Economy, p. 769.
- 7 Christian Montet, "L'Idée Autogestionnaire", in L'Autogestion un Système Economique, ed. A. Dumas, pp. 9-10.
- 8 Fried and Sanders, op. cit., p. 199-230.
- 9 Guenther Roth, The Social Democrats in Imperial Germany, p. 45.
- 10 W.Z. Foster, History of the Three Internationals, p. 23.
- 11 See Emile Lehouk, Fourier Aujourd'hui.
- 12 K. Marx, The Civil War in France, with a foreword by F. Engels, p. 14.
- 13 F. Engels, Scientific and Utopian Socialism, p. 91.
- 14 See Eduard Bernstein, Evolutionary Socialism, pp. 95-199.
- 15 K. Kautsky, "La Révolution Sociale", in Le Contrôle Ouvrier, Conseils Ouvriers, Autogestion, ed. E. Mandel, p. 63.
- 16 See E.H. Carr, The Bolshevik Revolution, Volume 2, pp. 200-229.
- 17 A. Shliapnikov, "L'Organisation de l'Economie et les Tâches des Syndicats" in E. Mandel, op. cit., pp. 154-159.
- 18 See A. Pannekoek, Pannekoek et les Conseils Ouvriers, ed. Serge Bricianer and J.P. Netti, Rosa Luxemburg, Volume 2.

- 19 J.P. Nettl, Rosa Luxemburg, Volume 2, pp. 702-703.
- 20 E. Mandel, op. cit., pp.192-206.
- 21 Ibid., pp.219-243.
- 22 See Martin Clark, Antonio Gramsci and the Revolution that Failed.
- 23 A. Losovsky, Le Mouvement Syndical International Avant, Pendant et Après la Première Guerre Mondiale, p. 187
- 24 Ibid.
- 25 See W.Z. Foster, op. cit., pp. 318-326, and Losovsky, op. cit., pp. 31-154.
- 26 See G.D.H. Cole, Guild Socialism Restated and Fried and Sanders, op. cit., pp.364-375.
- 27 See Franz Schurmann, Ideology and Organization in Communist China, pp. 226-310.
- 28 J. Vanek, The Participatory Economy, p. 39.
- 29 H.W. Hetzler and Gern Schienstock, "Federal Republic of Germany" in Towards Industrial Democracy, ed. Benjamin Roberts, p. 38.
- 30 See Adolf Sturmthal, Left of Center: European Labour Since World War II, pp. 106-139.
- 31 See Z. Brzezinski, The Soviet Block Unity and Conflict, pp. 210-268 and C. Harman, Bureaucracy and Revolution in Eastern Europe, pp. 94-187.
- 32 A. Gorz, "What are the Lessons of the May Events", p. 263 in Reflections on the Revolution in France: 1968, ed. by C. Posner.
- 33 See Student Power, edited by A. Cockburn and Robin Blackburn, and Labour Conflicts and Industrial Relations in Italy, by Ida Regalia, Marion Regini and Emilio Reyneri, pp. 101-157, and Blumberg, Industrial Democracy, pp. 6-10.
- 34 S. Bornstein and K.S. Fine, "Worker Control in France" in Worker Self-Management, ed. D. Garson, p. 171.
- 35 Thomas Lowit, "Political Power and Industrial Relations in Eastern Europe: Normal Times and Crises", in International Yearbook of Organizational Democracy, Volume 1: Organizational Democracy and Political Processes, ed. C. Crouch and F. Heller, pp. 505-531.

- <sup>36</sup> See John Elliot, The Growth of Industrial Democracy, p. 161.
- <sup>37</sup> See A. Gorz, Reforme et Revolution, pp. 68-79.
- <sup>38</sup> See B. Gustavsen and G. Hunnius, New Patterns of Work Reform: The Case of Norway, pp. 85-175.
- <sup>39</sup> Elliot, op. cit., p. 259.
- <sup>40</sup> Sturmnthal, op. cit., p. 142.
- <sup>41</sup> Ibid., p. 143.
- <sup>42</sup> LO "The Labour Movement and Employee Investment Funds", p. 9.
- <sup>43</sup> Himmelstrand, et al., Beyond Welfare Capitalism, p. 207.
- <sup>44</sup> Pierre Dubois, "New Forms of Industrial Conflict", p. 32 in Colin Crouch and A. Pizzorno (ed.) The Resurgence of Class Conflict in Western Europe Since 1968, Volume 2.
- <sup>45</sup> D. Nightingale, Workplace Democracy, p. 156.
- <sup>46</sup> Ibid., p. 157.
- <sup>47</sup> Ibid., pp. 158-160.
- <sup>48</sup> Ibid., pp. 163-164.
- <sup>49</sup> T.C. Jochim, Employee Stock Ownership and Related Plans, p. 153.
- <sup>50</sup> B. Horvat, "Paths of Transition to Workers' Self Management in the Developed Capitalist Countries", p. 67 in T. Burns, L.E. Karlsson and V. Rus (eds.) Work and Power.
- <sup>51</sup> D. Garson, "Models of Worker Self-Management: The West European Experience", p. 4 in Worker Self-Management in Industry: The West European Experience.
- <sup>52</sup> Nightingale, op. cit., pp. 165-169 and Worker Ownership in Relation to Control: a Typology of Work Reform by Joyce Rothschild-Whitt in Crouch and Heller ed. International Yearbook of Organizational Democracy, p. 389.
- <sup>53</sup> Joyce Rotshchild-Whitt, op. cit., p. 404.
- <sup>54</sup> Jochim, op. cit., p. 153.
- <sup>55</sup> Centre de Gestion des Cooperatives HEC, "Etats-Unies: Portrait du Mouvement Cooperatif", p. 10.

- <sup>56</sup> Ibid., p. 9.
- <sup>57</sup> Marquis Child, Sweden the Middle Way, pp. 1-66 and Ebenstein and Fogelman, Today's Isms: Communism, Fascism, Capitalism and Socialism, p. 203.
- <sup>58</sup> V. Pestoff, "Dilemma facing Swedish Consumer Co-operatives" in Crouch and Heller ed. op. cit., p. 437.
- <sup>59</sup> Centre de Gestion des Cooperatives HEC, "Italie: Portrait du Mouvement Cooperatif", p. 1 and 9.
- <sup>60</sup> Ibid., "Etats-Unies: Portrait du Mouvement Cooperatif". Centre Cooperatif de recherche en politique sociale, p. 13.
- <sup>61</sup> Co-operative Future Directions Project and the Co-operative College of Canada. Patterns and Trends of Canadian Co-operative Development, pp. 128-135.
- <sup>62</sup> P.F. Drucker, The Unseen Revolution, p. 1.
- <sup>63</sup> J. Stephens, The Transition from Capitalism to Socialism, p. 179 and Garson, op. cit., p. 4 and G. Epsing-Andersen and M. Regini, "Trade Union Strategies and Social Policy in Italy and Sweden", in J. Hayward, ed. Trade Unions and Politics in Western Europe. p. 116.
- <sup>64</sup> Ibid.
- <sup>65</sup> Kenneth McRoberts and Dale Posgate, Quebec Social Change and Political Crisis, p. 108.
- <sup>66</sup> See the Annual Report, 1984, Caisse de Dépôt et de Placement du Québec
- <sup>67</sup> U. Himmelstrand, (ed). Spontaneity and Planning in Social Development, p. 281.
- <sup>68</sup> See W. Ebenstein and Edwin Fogelman, Today's Isms, op. cit., pp. 199-200 for information on Atlee's program.
- <sup>69</sup> See D. Thomson, Democracy in France Since 1870, pp. 233-234.
- <sup>70</sup> See Alberto Martinelli, "The Italian Experience" pp. 88-89 in State-owned Enterprises in the Western Economies, ed. by Vernon and Aharoni.
- <sup>71</sup> M. Kreile, "Public Enterprise and the Pursuit of Strategic Management: Italy", p. 203 in K. Dyson and Stephen Wilks ed. Industrial Crisis: A Comparative Study of the State and Industry.
- <sup>72</sup> See D.M. Hancock, Sweden: The Politics of Post-Industrial Change, pp. 208-214.

<sup>73</sup>Ebenstein and Fogelman, op. cit., pp.206-209.

<sup>74</sup>Ibid., p. 206-207.

<sup>75</sup>Ibid., p. 204.

<sup>76</sup>Elliot, op. cit., p. 161.

<sup>77</sup>Ibid.

<sup>78</sup>See J. Prichard (ed.) Canadian Crown Corporations.

<sup>79</sup>I am referring here, for example, to the actions of the Thatcher government's sale of British Telecom and the Mulroney government's attempt to sell Teleglobe Canada, Canadair and De Havilland in 1985.

### Footnotes - Chapter 2

- <sup>1</sup> OECD, Les Systèmes contractuels d'épargne ouvrière visant à la formation du capital. Seminaire Syndical Régional Florence, Rapport Final, p. 15.
- <sup>2</sup> OECD, op. cit., p. 29.
- <sup>3</sup> W. Albeda, "The Netherlands" in Towards Industrial Democracy, ed. B. Roberts, p. 126.
- <sup>4</sup> H.W. Hezler and G. Schienstock, "Federal Republic of Germany", in B. Roberts, ed., op. cit., pp. 44-46.
- <sup>5</sup> OECD, op. cit., p. 16 and Hezler and Schienstock, op. cit., pp. 44-46.
- <sup>6</sup> OECD, op. cit., pp. 25-27.
- <sup>7</sup> See OECD text cited above and T. Treu, "Italy", in B. Roberts, ed. op. cit., p. 96.
- <sup>8</sup> See Copeman, Employee Share Ownership and Industrial Stability, pp. 169-171.
- <sup>9</sup> B. Horvat, "Paths of Transition to Workers' Self-Management in the Developed Capitalist Countries", in Work and Power, ed. T. Burns et al., p. 67.
- <sup>10</sup> J. Crispo, Industrial Democracy in Western Europe, p. 122.
- <sup>11</sup> Copeman, op. cit., p. 174.
- <sup>12</sup> John Elliot, The Growth of Industrial Democracy, p. 189.
- <sup>13</sup> See N. Elvander, "Sweden" in B. Roberts, ed. op. cit., pp. 130-164.
- <sup>14</sup> Elliot, op. cit., p. 190.
- <sup>15</sup> Quoted in Diane Bellemare and Lise Poulin-Simon "Le Fonds de Solidarité de la FTQ et le chômage", Le Devoir, May 14, 1984, p. 7.
- <sup>16</sup> R. Meidner, Employee Investment Funds, p. 77-78.
- <sup>17</sup> Ibid., p. 77.
- <sup>18</sup> Ibid., p. 126.
- <sup>19</sup> Ibid., p. 9.
- <sup>20</sup> See Chapter 3, pp. 52-58.

- 21 See Chapter 3, pp. 45-52.
- 22 Swedish Trade Union Confederation (LO), The Labour Movement and Employee Investment Funds, p. 22.
- 23 See "Annual Report of the CDP", 1984.
- 24 Swedish Trade Union Confederation (LO), The Labour Movement and Employee Investment Funds, p. 26.
- 25 Interview with Louis Fournier by Author, September 26, 1984.
- 26 Swedish Trade Union Confederation (LO), op. cit., p. 5.
- 27 Message de la Fête de Travail du President de la FTQ, Louis Laberge, 1983 in Dossier d'Information sur le Fonds de Solidarité, p. 2.
- 28 Swedish Trade Union Confederation (LO), op. cit., p. 2.
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- 39 G. Heckscher, The Welfare State and Beyond, p. 118.
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- 49 Interview with Louis Fournier by author, May 1984 and Dossier d'Information sur le fonds de Solidarité!
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<sup>86</sup> The Economist, "Italy", Quarterly Economic Review, No. 2, 1984, p. 6 and Facts on File, 1985, p. 453.

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<sup>88</sup> Ibid.,

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### Footnotes - Chapter 4

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- <sup>2</sup> See CISL "Fondo di Solidarieta" Conquista del Lavoro, May 1983.
- <sup>3</sup> Lars-Olof Pettersson, Employee Investment Funds in Sweden, p. 13.
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- <sup>11</sup> See Chapter 3 for further details.
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- <sup>15</sup> See Regalia, Regini and Reyneri, op. cit., pp. 101-158 for a description of the modern Italian system.
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## Footnotes - Chapter 5

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- <sup>2</sup> Wilensky, The Welfare State and Equality, p. xiii.
- <sup>3</sup> W. Korpi, The Working Class in Welfare Capitalism, p. 331.
- <sup>4</sup> Ibid., p. 332.
- <sup>5</sup> Ibid., p. 333.
- <sup>6</sup> Ibid.
- <sup>7</sup> Abrahamsson and Broström, op. cit., p. 223.
- <sup>8</sup> Ibid.
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- <sup>10</sup> Himmelstrand, op. cit., p. 246
- <sup>11</sup> See V.I. Lenin, One Step Forward, One Step Backward and E.H. Carr, The Bolshevik Revolution, Volume 1, pp. 38-56,
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- <sup>13</sup> Stephens, op. cit., p. 55.
- <sup>14</sup> Ibid., pp. 118-119.
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- <sup>23</sup> See Ted Jackson, "Worker Ownership and Economic Democracy".
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- <sup>51</sup> G. Heckscher, op. cit., p. 119.
- <sup>52</sup> P.M. Meyerson, The Welfare State in Crisis - The Case of Sweden, pp. 38-39.
- <sup>53</sup> Ibid., p. 47.
- <sup>54</sup> Ibid., pp. 47-56.
- <sup>55</sup> Ibid., p. 58.
- <sup>56</sup> Ibid., pp. 58-59.
- <sup>57</sup> Heckscher, op. cit., p. 119.
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Footnotes - Conclusion

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