

TRANSFORMING PROVINCIAL POLITICS

THE POLITICAL ECONOMY OF
CANADA'S PROVINCES AND TERRITORIES
IN THE NEOLIBERAL ERA

EDITED BY
BRYAN M. EVANS AND CHARLES W. SMITH



Transforming Provincial Politics

*The Political Economy of Canada's Provinces
and Territories in the Neoliberal Era*

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AND CHARLES W. SMITH

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TRANSFORMING PROVINCIAL POLITICS

The Political Economy of Canada's Provinces and Territories in the Neoliberal Era

Over the past thirty-five years, Canada's provinces and territories have undergone significant political changes. Abandoning mid-century Keynesian policies, governments of all political persuasions have turned to deregulation, tax reduction, and government downsizing as policy solutions for a wide range of social and economic issues. *Transforming Provincial Politics* is the first province-by-province analysis of politics and political economy in more than a decade, and the first to directly examine the turn to neoliberal policies at the provincial and territorial level.

Featuring chapters written by experts in the politics of each province and territory, *Transforming Provincial Politics* examines how neoliberal policies have affected politics in each jurisdiction. A comprehensive and accessible analysis of the issues involved, this collection will be welcomed by scholars, instructors, and anyone interested in the state of provincial politics today.

(Studies in Comparative Political Economy and Public Policy)

BRYAN M. EVANS is an associate professor in the Department of Politics and Public Administration at Ryerson University.

CHARLES W. SMITH is an assistant professor in the Department of Political Studies at St Thomas More College, University of Saskatchewan.

Studies in Comparative Political Economy and Public Policy

Editors: MICHAEL HOWLETT, DAVID LAYCOCK (Simon Fraser University), and STEPHEN MCBRIDE (McMaster University)

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We would like to dedicate this book to Graham White and John Conway. Graham and John are outstanding scholars of Canadian provincial politics and political economy. This volume emerges from their pioneering efforts to bring greater attention and understanding to the complexities of provincial and territorial politics. Political science and sociology in Canada are stronger disciplines because of their contributions.

Acknowledgments

It goes without saying that a work of this nature is the product of a collective effort by many dedicated people. We truly owe a debt of gratitude to our contributors for their expertise in preparing each chapter. As politics in the provinces and territories never stands still, we would also like to acknowledge their patience and skill as we continuously asked them to closely follow each election and update their already substantial chapters over the past two years. This volume is a dedication to their keen observations of current events surrounding questions of politics and political economy.

We would like to both thank our respective institutions – St Thomas More College, University of Saskatchewan, and Ryerson University – for their intellectual, collegial, and financial support in seeing this project through to completion. At St Thomas More College we would like to particularly thank David McGrane for his helpful comments on the project as a whole and Joanne Illingworth for her helpful guidance in preparing grant applications for financial support. We also received editorial support from exceptional undergraduate researchers, Emily Lafreniere, Aleida Oberholzer, and Amanda Bestvater, who skilfully assisted in preparing the bibliography. We suspect it will not be long before they too are making substantial contributions to the study of provincial and territorial politics and political economy. At Ryerson University, we would like to thank president Sheldon Levy in particular, for his support of this work. In Toronto he is viewed as a “city builder,” and that he is, but it is also well known throughout the country that Ryerson has been fundamentally transformed under his leadership. His interest in this project is testimony to his attention to things big and rather small!

We also owe a significant debt to Daniel Quinlan at the University of Toronto Press. Daniel demonstrated keen optimism for this project from the very beginning and was thoroughly supportive of the volume as it went through the numerous stages of publication. His keen eye for detail also added significant insight into the direction of the project. We would also like to thank the dedication shown by the peer reviewers to each chapter in this manuscript. Their expertise and advice made each chapter stronger and more precise.

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TRANSFORMING PROVINCIAL POLITICS

The Political Economy of Canada's Provinces
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Introduction: Transforming Provincial Politics: The Political Economy of Canada's Provinces and Territories in a Neoliberal Era

BRYAN M. EVANS AND CHARLES W. SMITH

Over the past thirty-five years, politics in Canada's provinces and territories has undergone significant transformations. Quite simply, the provincial and territorial states of 2014 bear little resemblance to their 1970s counterparts. Under the auspices of neoliberal globalization, regional power blocs have been formed and reformed in such a way that natural resource extraction is taking on both national and global importance. Traditionally, Canadian political economists argued that Canada's economic underdevelopment derived, in part, from an over-reliance on commodity extraction.¹ Today, however, governments and multinational corporations promote natural resource extraction as a driver of Canadian competitiveness abroad. The economic power of commodity production has placed new influence in the hands of provincial and territorial governments, most notably in the West and the North. Meanwhile, the traditional manufacturing strength in Ontario and Quebec continues to decline in both real and absolute terms. Rather than promote greater public investment in manufacturing or technological research and development, however, governments of all political persuasions promote further trade liberalization, tax reduction, deregulation, and balanced budgets as long-term policy solutions to a host of social and economic concerns.

These economic transformations have shifted the ideological terrain in which political parties compete for government power. The electoral hegemony of the Conservative and Liberal parties – while readily apparent in most provinces and territories – is challenged by unthreatening social democratic contenders in several provinces, while more radical alternatives either simply do not exist or, as in the case of Québec Solidaire, are rather limited. Whereas left-wing social democracy once

challenged the forces of the market, the New Democratic Party (NDP) and the Parti Québécois (PQ) increasingly promote market-driven policies in order to foster long-term economic development, high-wage value-added jobs, and delivery of public services.² These same governments also promote seemingly counter-intuitive policies, limiting the capacity of workers to organize, bargain, or strike, while containing the influence of social movements and non-governmental organizations on the policymaking functions of the state. Ultimately, these transformations have placed downward pressure on popular organizations that traditionally advance activist government in the promotion of equality, full employment, and social inclusion.

How have these transformations occurred? The chapters in this book seek to answer this question from a political economy perspective. Political economy provides a rich array of analytical tools to scrutinize and explain how economic, political, and ideological forces within society produce and replicate themselves. By its nature, such an examination is "historical and dynamic, since it seeks to locate the motion of society in the forces of change as production and reproduction transform."³ Using this framework, the book endeavours to explain how the forces of neoliberalism have shaped Canadian provincial and territorial politics since the 1970s. By relying on what Pierson and Skocpol term a "long-term perspective," the book also examines how struggles over new forms of accumulation have altered the terrain of economic, political, and ideological policymaking.⁴ Such a historical exploration allows researchers to avoid the causational traps that often occur in research concentrating on short-term policy studies, rationalist political behaviour, or positivist electoral analysis. Rather, each author explains the transformation in provincial and territorial politics by mapping, as Colin Hay has identified, "the complex interaction of causal processes to produce structural and behavioural change – whether continuous or discontinuous, incremental or punctuating, evolutionary or revolutionary."⁵ By examining long-term neoliberal transformations, the chapters in the book demonstrate that a profound class shift has occurred in each province/territory that overwhelmingly benefits the most powerful groups in society.

Each chapter illustrates the long-term shifts in provincial/territorial politics through a critical examination of neoliberalism. As a political phenomenon, neoliberalism is often associated with globalization, as both paradigms have dramatically reshaped how people interact with the state, the market, technology, and each other.⁶ Although identifying

a precise point of origin of the neoliberal revolution can be an exasperating exercise, it can broadly be agreed that neoliberalization began as a response to the general crisis of capitalist accumulation in the late 1970s.⁷ The crisis challenged the post-war economic order (loosely defined as Keynesianism or Fordism) in North America and Western Europe, characterized by national forms of capitalist accumulation existing alongside numerous versions of full-employment policies, welfare regimes, in historical terms, comparatively high and secure levels of unionization, and progressive taxation.⁸ Neoliberal ideas (and the actual processes of neoliberalization) emerged as a political project aimed at disentangling the state from redistributive and collectivist policies associated with the post-war economic order in the advanced capitalist countries. The implications of this political revolution also reasserted the class power of economic and political elites.

The Canadian process of neoliberalization began slowly and, like its counterparts in the United States and Western Europe, was driven by the economic crisis of the 1970s. In this period, the federal Liberal government of Pierre Trudeau fluctuated between two policy paradigms in response to the shifting economic context. On the one hand, confronting high unemployment and high inflation, it flirted with neoliberal economic reforms as a means of addressing the general crisis of accumulation and the subsequent stagflation that occurred after the worldwide oil shocks in 1973. Under Trudeau's watch, the Bank of Canada imposed monetarist "shocks" that slowed the economy with a dramatic interest rate hike that witnessed declining growth, waves of home foreclosures, and double-digit unemployment. On the other hand, the Liberals also explored neo-Keynesian policies such as wage and price controls and corporatist structures to facilitate multi-class and cross-sectoral social dialogue. Part of Trudeau's plan to stimulate the ailing economy included dramatic restructuring of collective bargaining rights (especially for public-sector workers), cuts to federal spending, and altering the level and coverage of public services, while also centralizing the power of the Prime Minister's Office and other central agencies to limit internal political opposition.⁹ Although the Trudeau Liberals never fully embraced the neoliberal project, the party set in motion a series of ideas that later formed the nucleolus of Brian Mulroney's political project in the 1980s.

Perhaps the most notable shift for both prominent Liberals and Conservatives was the recommendation to adopt free trade from Trudeau's Royal Commission on the Economic Union and Development Prospects

for Canada (the Macdonald Commission).¹⁰ For the Mulroney government, a Canada–United States Free Trade agreement (CUFTA) allowed for the “freeing” of domestic capital from burdensome protectionist policies and opened the Canadian market to more direct competitive pressures. These policies were designed to attract foreign direct investment (especially from multinational corporations), and, perhaps most importantly for the Conservatives, guarantee Canadian capital access to the American market (unsuccessfully).¹¹ Perhaps equally important for the Conservatives (and for the Americans), the CUFTA also acted as quasi-constitutional document binding future governments from taking policy actions to economic problems that might upset the neo-liberal consensus, including nationalizing key commodities such as oil and gas.¹² Along the lines of freeing the market, Mulroney also implemented several changes to the federal tax code (including the introduction of a flat sales tax – the Goods and Services Tax [GST]) and curtailed collective bargaining rights for federal workers. The government also implemented a series of downsizing measures through budget cuts, outsourcing, and privatization of Crown corporations.

Mulroney’s devastating defeat in 1993 was the culmination of economic restructuring that began to sweep through Canada’s industrial heartland in the late 1980s. The result was, in part, a realignment of the Canadian party system. Yet somewhat paradoxically, given the 1988 election campaign in which the federal Liberals opposed free trade, Mulroney’s inability to complete many of the neoliberal reforms he began – such as radically downsizing the federal welfare state – was embraced and deepened by the Liberal governments of Jean Chrétien and Paul Martin in the 1990s and early 2000s. Perhaps the most obvious example of the Liberal Party’s transformation was its enthusiastic signing of the North American Free Trade Agreement (NAFTA) in 1994. For the federal Liberals, NAFTA further strengthened the property rights of both national and international business investors in Canada.¹³ The Liberals also engaged in aggressive restructuring of the Canadian welfare state through historically unprecedented cuts to social programs, reductions in federal-provincial transfers, and further decreasing the tax burden for Canada’s wealthiest citizens.¹⁴ The Conservative government of Stephen Harper is expanding (and deepening) these processes of neoliberalization, albeit with a more draconian and authoritarian virulence than has characterized previous governments.¹⁵

Given the ascendancy of neoliberalism, the paucity of research and analysis focused on the political economy of provincial and territorial