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Embedded Neoliberalism? Developments in Canada’s Political Imaginaries

ABSTRACT

This paper begins by contrasting two competing accounts of the dominant political imaginaries and values in Canadian politics. In the first account, embedded liberalism and the associated values of the Keynesian welfare state offer the most compelling description. In the second account, Canada has undergone an extended period of neoliberal restructuring that has produced a deep transformation in the country’s political values and identity. How should we go about assessing these visions of politics in Canada? My thesis is that a strategic combining of both accounts will allow us to grasp how neoliberal policies were justified by presenting them as the only way to maintain pre-existing Keynesian and “Canadian” values. Over time, however, those values have been reinterpreted and even lost to neoliberalism. The paper proceeds by outlining the initial scholarly impasse, and then presents evidence from the Trudeau, Mulroney, Chrétien, and Harper administrations to demonstrate its primary claims.

Embedded Neoliberalism? Developments in Canada's Political Imaginary

A country's political imaginaries offer frames through which people make sense of their shared condition. Our dominant imaginaries function simultaneously as an intuitive, taken-for-granted background, and as a normative framework that justifies political action or, equally, inaction. Charles Taylor has written about how a social imaginary "is that common understanding that makes possible common practices and a widely shared sense of legitimacy" (Taylor, 2004: 23). But to speak of *political* imaginaries is to be concerned perhaps most importantly with perceptions of the state's legitimacy, of its responsibilities and scope of action, along with its expectations of citizens and the expectations a citizenry places upon it.

Scholarship concerning the nature of Canada's dominant political imaginaries is split into two seemingly incompatible accounts. In the first account, embedded liberalism is presented as the central and longstanding metaphor underpinning collective political life in Canada. In the second account, neoliberalism has replaced embedded liberalism and in doing so is thought to have significantly altered our political imaginary. Neither thesis seems capable of making any substantial accommodation to the other. I argue that, in fact, it is largely the case that both theses have considerable value once their contributions are properly understood. We have experienced neoliberal rule for close to 30 years, at least federally, yet the values of embedded liberalism and Keynesian welfare liberalism have persisted, albeit with diminishing influence. I contend that a reinterpretation of Canada's political imaginary has taken place according to which a neoliberal policy paradigm was presented as the most convincing way to maintain pre-existing Canadian – and embedded liberal – values and expectations. Ultimately, however, decades of neoliberal policies cannot help but have gone beyond a 'mere' policy paradigm, and have contributed to a deeper transformation of Canada's political orientation.

The first part of the article sets out the competing theses concerning the nature of Canada's political imaginary. The second part presents evidence from the Trudeau, Mulroney, Chrétien, and Harper administrations. I chart the development of neoliberal policies and values alongside the assertion of values that are simultaneously those of embedded and Keynesian liberalism, as well as "Canadian life." In addition to moving beyond the unproductive impasse presented by the two embedded and neoliberal camps, I offer important modifications to related claims concerning whether neoliberalism in Canada has been imposed by stealth, and to how neoliberalism negotiates relations between values, the economic and the social.

Canadian Political Imaginaries: Two Versions

The story of embedded liberalism as it relates to Canada has been told most persuasively by Robert Wolfe and Matthew Mendelsohn. In a series of articles, Wolfe and Mendelsohn present embedded liberalism as the ruling system governing international institutions in the post-Second World War era. Crucially, they also recognize how embedded liberalism involves a "compromise between free trade abroad and the welfare state at home" (2004: 261). This compromise balances the desire for sufficient levels of local and state sovereignty with the

widely supported pursuit of international trade, even though the latter involves agreements and supra-national institutions that limit sovereignty. According to the results of their own public opinion research conducted in February and March 2001, Wolfe and Mendelsohn found that Canadians view international trade agreements more favourably than increased globalization (2004: 268-9; 2005: 51; Wolfe, Mendelsohn and Parkin, 2002: 353). They interpret this to mean that Canadians perceive globalization to have much wider-ranging affects than mere trade (2005: 59). This seems valid, strictly speaking. Yet proposing a permanent analytical separation between international trade and globalization appears rather artificial when one considers that the effects of cultural and political globalization that concern people are inseparable from the requirements (decreased state sovereignty) and implications (increased inter-cultural penetration) of economic globalization.

In any case, Canadians' positions on international trade and globalization do reflect the values of embedded liberalism. Wolfe and Mendelsohn show in their results that Canadians assume a position they call "don't touch my welfare state internationalism," according to which increased international cooperation (and less Canadian sovereignty) is thought to make sense for an issue like climate change, but emphatically not for issues such as standards for social programs or the workplace (2004: 272-3; 2005: 60). Wolfe and Mendelsohn conclude that embedded liberalism remains "a compelling metaphor" (2005: 59) for explaining the relationship between local and state politics on the one hand, and the international realm on the other.

What needs to be added is that embedded liberalism emerged historically alongside – and indeed overlapping with – other key societal arrangements, namely Fordism, Keynesianism and the welfare state. Notwithstanding variations between different states, the values of these societal arrangements were historically consonant with one another from the 1950s through at least most of the 1970s. In fact, I will argue more below that the values of the Keynesian welfare state persisted long after Keynesianism fell into disrepute, intertwined as those values are with "Canadian values" more broadly. Thus, when Wolfe and Mendelsohn claim that embedded liberalism "is part of the 'why' and 'how' of collective life, not an explanation of a particular outcome" (2005: 60), I believe that a more comprehensive picture of Canada's political imaginary must also include the values associated with an ingrained welfare state (even if it is a liberal welfare state rather than the more fully social democratic versions found in northern Europe and Scandinavia).

Before giving explicit content to the preceding value claims, it is worth recalling just how strong the collectivist impulse was in politics from early in the twentieth century until well into the 1970s (see Turner, 2007). This was especially true of the domestic component of the embedded liberal compromise. The title of John Maynard Keynes's famous essay "The End of Laissez-Faire" signalled a broad policy consensus (albeit unevenly developed) across much of Western Europe and North America that combined the Fordist model of accumulation with welfare state protections. In Canada, successive governments pursued a policy of (almost) full employment combined with fiscal and monetary policies intended to maintain aggregate demand. Welfare state provisions were put in place and strengthened over time. For example, Canada's

first unemployment insurance program instituted in 1940 provided coverage for less than half of the workforce. Thirty years later, steady expansion of the program culminated in the *Unemployment Insurance Act* (1971) and offered protection to almost the entire workforce (Lin, 1998). Canada's health care system (or more accurately its arrangement of provincial systems) was established in 1966 with its principles of universality, comprehensiveness, portability, accessibility, and public administration. It remains the most highly regarded feature of Canada's welfare state. Meanwhile, the position of labour and unions was consolidated through collective bargaining rights, even though fairly strict limits on strikes and other worker action remained. Unionization itself rose from 15 per cent in 1935 to the 30 per cent range in the 1950s, reaching above 35 per cent in the mid-1970s (Workman 2009: 56-7).

The main insight these examples are meant to illustrate is the unique state-economy-society relations that existed. According to Bob Jessop, "if the Keynesian welfare state helped to secure the conditions for Fordist economic expansion, the latter helped in turn to secure the conditions for the expansion of the Keynesian welfare state" (1994: 256). As part of this arrangement, citizens had expectations of the state and each other that both reflected and contributed to the overall moral vision of embedded liberalism as it was constituted domestically in Canada. Pierre Trudeau's vision of a "just society" is likely the most widely-known articulation of the belief that without trampling on individual freedoms, Canada's foremost offer of belonging was a collectivist guarantee that all would be cared for regardless of circumstance.

Wolfe and Mendelsohn's claim that the idea of embedded liberalism applies to the "why and how" of collective life is equally true of Keynesian welfare state. Indeed, I do not believe that it is possible to disentangle these twin components of Canada's political imaginary, contrary to what Wolfe and Mendelsohn sometimes imply. Yet the entire story outlined above is challenged by scholarship claiming that neoliberalism has fundamentally altered Canada's political landscape, both in terms of policy and our shared imaginary.

According to David Harvey, who is one of the world's leading scholars on this topic, neoliberalism has been able to "comprehensively displace embedded liberalism" (2005: 40). In our specifically Canadian context, William K. Carroll and William Little (2004: 37) contend that neoliberalism amounts to a third national policy, the first two being the industrializing-protectionist approach taken in the first part of the twentieth century, followed by the post-Second World War Fordist-Keynesian regime that began falling apart in the early 1970s. Unlike the latter policy, neoliberalism is a political and economic project that privileges individual and private sector economic activity as not only central to prosperity in general, but to appropriate moral behaviour in particular. The neoliberal outlook wants to overcome two significant obstacles it thinks are posed by the Keynesian welfare state: the disincentive to invest, which results from excessive taxation and state regulation, and the disincentive to work, which is caused by all variety of entitlement programs and unionized workplaces (Offe, 1984: 149).

The following table condenses the policy differences between the Keynesian state that reflected the classic era of embedded liberalism, and neoliberalism. The differences amount to tendencies rather than strict rules, but nevertheless they portray fundamentally different policy

paradigms. Carroll and Little claim that the debates that have led to the changes listed above created “the basis for a neoliberal reimagination of the Canadian identity and the now hardly contestable application of norms, values and procedures of the market” (2001: 47). A stark difference emerges when one compares Carroll and Little’s work to Wolfe and Mendelsohn’s, since they argue respectively for competing and seemingly incompatible versions of Canadian political imaginaries.

TABLE 1 Key Policy Tendencies

Embedded liberal / Keynesian welfare state	Neoliberal state
<ul style="list-style-type: none"> · Counter-cyclical spending / higher state spending relative to GDP · Deficits justified to produce full employment · Mix of economic nationalism and free trade · Wary, but not opposed, to FDI · Progressive, relatively high taxation levels · Balanced union-owner/management relations · State owned agencies are common · Mixed state/market service delivery · Entitlements generally universal · Economic ‘injustices’ often perceived as systemic, requiring state remedy · Greater wealth redistribution, lower inequality · Individual as citizen · Collective obligation balances individual freedom 	<ul style="list-style-type: none"> · Monetarism: strict control of inflation and money supply · Deficits rarely justified; flexible employment · Decided preference for free trade · Seeks out foreign direct investment · Less progressive, lower taxation levels · Diminishment of worker and bargaining rights · Strong preference for privatization · Market / competitive approach to service delivery · Entitlements more likely selective and reduced · Economic ‘differences’ likely perceived as individual failure, not requiring state remedies · Lower wealth redistribution, greater inequality · Individual as consumer / customer · Primacy of individual freedom and choice

The thesis I wish to defend is that these rival arguments concerning Canada’s political imaginary in fact have far more in common than it would seem. The reimagination of Canadian politics according to a neoliberal outlook has been achieved by presenting neoliberal policies as the most promising way to maintain long-standing Canadian values. As I will show, neoliberalism has been justified as a type of mitigating change that protects existing values from full-fledged paradigmatic change. The fact that those values were and are informed to a considerable extent by embedded and Keynesian liberalisms reflects the contradiction at the heart of our political imaginary: to maintain a distinctly Canadian way of life that life had to be changed; only by changing it could it be maintained. Ultimately, however, neoliberalism needs to be seen as an instance of paradigmatic change that cannot live up to its own self-portrayal as a source more of continuity rather than of deeper changes.

The rest of the paper elaborates how this state of affairs took shape, beginning briefly with the Trudeau years and moving through successive federal governments up until today.

Methodologically, the approach I take is largely “ideational.” This means focusing on the influence of ideas and values, as well as on the use of discourse and the gap that frequently exists between discourse and the real intentions of government policies. I do not dismiss the insights that would emerge from other methodological preferences, such as an institutionalist focus on the rise and fall of co-operative federalism, or a pluralist concern with competition between political parties along with the influence of think-tanks, for example. The advantage of the ideational approach over the institutionalist one is that it can grasp the problem of political imagination far more easily. The pluralist alternative is also diminished in this instance because since the Liberal victory in 1993, governing and official opposition parties have agreed about more aspects of neoliberalism than they have disagreed.

Pierre Trudeau and the Keynesian Predicament

Pierre Trudeau’s time as prime minister set the stage for the significant neoliberal policy shifts Canadians witnessed under Brian Mulroney and Jean Chrétien. Just a few years after Trudeau was elected prime minister in 1968, the Fordist-Keynesian economic arrangement entered a period of protracted crisis. The features of this crisis are well-known and do not need to be rehearsed at length. The commitment to embedded liberalism and the institutions of Bretton Woods began to unravel when President Nixon took the American dollar off the gold standard in 1971, which ended fixed exchange rates. Uncertainty escalated in 1973 when Arab countries imposed an oil embargo and OPEC raised the price of oil. Countries that were already easing away from policies of full employment because of creeping unemployment then faced the twin disease of economic stagnation and inflation. The cost of living increased even though the economies contracted and people’s spending power fell, which was a crisis not only for the people living through it, but also for Keynesianism, which was ill-equipped to address such an unexpected phenomenon. Milton Friedman’s 1976 Nobel Prize was a key indicator of the shifting intellectual fortunes underway. The move to monetarism in the United States occurred in 1979, when the head of the Federal Reserve, Paul Volcker, imposed drastically high inflation rates to break the inflationary conditions. This was the same year that Margaret Thatcher was elected in Britain, but actually preceded Ronald Reagan’s election victory in 1980.

For the purposes of this paper, one of the notable things about Trudeau’s policies is that he regularly resisted the “marketizing” pull of neoliberalism and monetarism. During the first oil crisis, in the early 1970s, Trudeau’s economic nationalism produced a host of new state initiatives, foremost among them the Foreign Investment Review Agency, the Canada Development Corporation, and Petro-Canada (Ernst, 1992: 121). Shortly thereafter the infamous National Energy Program was put in place along with wage and price controls. Trudeau’s pursuit of the so-called “Third Option” policy, which produced the limited success of the 1976 Canada-Europe Framework Agreement, failed to reduce Canada’s reliance on trade with the US in favour of European and Asian alternatives. By re-electing Trudeau in 1980, Canadians themselves declined free trade with the US under Reagan’s North American Accord. Before the

end of his term, however, Trudeau engaged the US in negotiations for free trade on a sector by sector basis. Trudeau had certainly moved away from the strong Keynesianism and economic nationalism he asserted a decade earlier, but neither had he adopted the clear neoliberal strategies of Thatcher and Reagan.

Trudeau's economic and social visions for Canada were largely compatible even if they were not perfect mirrors of one another. For Trudeau, Canada's social future and its identity were to be secured according to an ethos of civic nationalism built on reason and, ultimately, centred on the Charter of Rights and Freedoms. The values he invoked included peace, justice, mutual support and respect, sharing, and individual flourishing unhindered by arbitrary state actions (Trudeau, 1982). His economic Keynesianism was seen to offer the support of the state when individuals could not provide it for themselves or each other. Such support justified relatively expansive state action beyond what any neoliberal could imagine being necessary.

Brian Mulroney and Neoliberal Ascendancy

The circumstances of Brian Mulroney's election as prime minister in 1984 did not foreshadow the move to neoliberal policies and values that was to come. Mulroney's initial well-known opposition to free trade, along with the significant increase in the federal deficit during his two terms, highlight his brokerage approach to politics and indicate that Canadian neoliberalism would be implemented over an extended period of time. Retrospectively we can see how his government made clear appeals to how "Canadian values" would be upheld best by turning to a neoliberal policy regime (never, of course, actually using the term itself). The most controversial aspects of Mulroney's neoliberal agenda were the Canada-US Free Trade Agreement (1989) and its successor, the North American Free Trade Agreement (signed in 1992 by Mulroney but implemented under Jean Chrétien in 1994). Mulroney's foreign minister, Joe Clark, captured perfectly how the Conservatives equated free trade with sustaining Canada's unique qualities. According to Clark, "the increased prosperity resulting from larger markets and a more competitive economy would surely make us more able and willing to pursue political and social policies appropriate to our own conceptions, values, and needs, [which] is the essence of sovereignty" (in Golob, 2003: 390).

Clark's straightforward support of free trade is complicated by how the federal government saw the exclusion of cultural industries from the FTA, NAFTA, and the Uruguay Round of the GATT, as crucial to the future of Canada's identity. The Conservative's Trade Minister in 1987, Patricia Carney, explained the matter.

Canada's cultural sovereignty is maintained and strengthened by the ability of Canadian cultural industries to produce, market, and distribute the products of our artists, our creative people; the dominance of U.S. firms of our sound recording, film, television, and publishing sectors impinges upon our cultural sovereignty. This massive penetration of

the Canadian market threatens the growth of Canada's cultural products which are the major demonstration of our identity as a separate nation. (in Goff, 2000: 544).

Carney flawlessly inverts Clark's argument that "larger markets and a more competitive economy" will *promote* Canadian distinctiveness, which raises a key insight into Canada's neoliberal project. Raw neoliberalism was (and likely remains) impossible because the perception and reality of its policies would provoke excessive opposition on precisely the grounds that it stakes much of its claim: the maintenance of unique Canadian values and cultural practices.

Aside from free trade, Mulroney followed other important neoliberal requirements. The Investment Canada Act (1985) loosened conditions on foreign direct investment in Canada. Such investment increased modestly but steadily at first, not quite doubling from 1987 (almost \$106 billion) to 1997 (\$194 billion). But in the subsequent decade, investment increased by more than two and a half times, to \$512 billion in 2007.¹ The Conservative's appointment of Canada's first Minister of State for Privatization and Regulatory Affairs reflected their approach to selling and privatizing state assets and crown entities. Some of the most notable examples of privatization include the Canada Development Corporation, Canadian Arsenals Limited, Canadair, de Havilland, Eldorado Nuclear, Teleglobe Canada, CN Hotels, Northern Canada Power Commission, Air Canada and, over time, PetroCanada. What such decisions reflect is the move away from a Keynesian mixed economy toward one that gives as much priority as possible to privately-operated, market-allocated economic activities.

The rising dominance of the free market perspective extended to policy arenas that had previously been unassociated with economic interests. One of the best examples of this comes from a conference organized by the Progressive Conservative Party in 1986. The conference was called "Multiculturalism Means Business" and it turned existing discourse on multiculturalism away from issues of national identity and belonging toward the potential economic benefits involved. The prime minister himself contributed to a marketized conceptualization of Canada's increasingly heterogeneous population.

Our multicultural nature gives us an edge in selling to the world. Canadians who have cultural links to other parts of the globe, who have business contacts elsewhere are of utmost importance to our trade and investment strategy for economic renewal. (in Abu-Laban and Gabriel, 2002: 111)

When we reflect on the preceding statement in conjunction with the free trade exemptions of culture discussed earlier, we can see how the government produced a strategic interplay of the economic and the cultural. Critics of multiculturalism could be reassured by appealing to the benefits of international economic activity that multiculturalism would bring, while critics of free trade could be reassured that Canada's culture was thoroughly protect from increased openness.

¹ Source: Statistics Canada CAMSIM Table 376-0038.

It is important to point out that the federal government was not alone in committing itself to the extended effort it takes to remake a country's political imaginaries. Other studies have looked at how think tanks and umbrella organizations contributed weight and momentum to Canada's neoliberal turn. Such groups include the Business Council on National Issues, the C.D. Howe Institute, the Fraser Institute, and the Conference Board of Canada (see Carroll and Shaw, 2001; Ernst, 1992). I prefer to quote directly from the Macdonald Royal Commission on the Economic Union and Development Prospects for Canada, in no small part because of the prominence royal commissions hold in our political history and in the development of public policy.

The commission, which was established by the Trudeau Liberals but submitted its report to the Mulroney Conservatives in 1985, is widely considered to have produced an overall case for market liberalization and the specific role for the state that would entail. This is evident in how the Commission interpreted political-economic circumstances at that time and the challenges that followed.

The liberal political order of democratic capitalism did not develop with the contemporary scope of government in mind. . . . Our task will be to find ways to control the political market and the expectations and behaviour which accompanied its expansion in the last half century. The related task will be the ongoing revision of our policy responses to new circumstances. (Canada, 1985: 70)

What we end up finding in the report is a perfect demonstration of earlier embedded liberal or Keynesian values in combination with neoliberal policy declarations and their additional values. There are declarations of support for equity, economic prosperity and participation, security in times of illness or hardship, "sharing" as the basis of community, and opposition to unjust market outcomes. On the other hand, the Commission insisted that all such social policies must be submitted to tests of efficiency that "impose minimum constraints on market mechanisms" (Canada, 1985: 46-7). Yet in cases from welfare support to employment insurance and health care, the discourse of efficiency is part of an overall move to reduce what the state can provide (see Burke, 2000).

To conclude this section on the ascendancy of neoliberalism during the Mulroney years, it is important to clarify the conditions under which this transition took place. The main point I made earlier was that the deepening struggles of the Fordist-Keynesian paradigm amounted to an objective crisis. More than this, however, the rise of neoliberalism depended on the sense (which it helped inculcate) that existing solutions to the crisis could no longer work: long-standing state strategies would be entirely ineffective, requiring it to implement an alternative policy response. Finally, one of the best ways to motivate support was to argue that the values we cherish – which do nothing less than orient our individual and collective actions – could survive intact only by adopting a new policy paradigm.

Jean Chrétien and Neoliberal Consolidation

The demolition of the Progressive Conservative Party in the 1993 federal election heralded a presumed return to the dominance of the Liberal Party and its centrist, or even centre-left, principles. Instead, the Liberals undertook to consolidate the Conservative's neoliberal turn and to be more consistent in their application of neoliberal principles. Most interestingly in the context of this paper, the Liberals deepened the Conservative's tendency to present significant policy changes as simultaneously momentous, yet merely mitigating in the larger struggle to maintain Canadian values.

The Liberal's famous 1993 campaign platform – the “Red Book” entitled *Creating Opportunity: The Liberal Plan for Canada* – opened with an introductory message from Jean Chrétien about how “government must be judged by its effectiveness in promoting human dignity, justice, fairness, and opportunity” (Liberal Party of Canada, 1993: 5). The Red Book proceeded to attack the Conservative's record on precisely those grounds that the Tories had staked out for their own success. According to the Liberals:

One of the greatest failings of the Conservative government has been the tendency to focus obsessively on one problem, such as the deficit or inflation, without understanding or caring about the consequences of their policies in other areas such as lost jobs, increased poverty, and dependence on social assistance. (10)

Of course, the country's deficit had in fact increased under Conservative rule. But to accuse the Conservatives of fixating on the deficit and inflation was also a veiled attack on neoliberal fiscal and monetary policy. By contrast, the Liberals promised a hybrid solution that matched “a drive for jobs and growth with a comprehensive approach to controlling debt and deficits” (16). In the years immediately following this pronouncement Liberal policy would assume an alternative track, even though the rhetoric involved remained largely the same. The Red Book of 1993 was quickly replaced by 1994's “Purple Book” entitled *A New Framework for Economic Policy*. Its introduction declared that there “is no conflict between economic policy and the broader social objectives of Canadians – quite the contrary” (1994: v). Later on it highlighted how government ought to provide only the most efficient of services, while reducing or eliminating those of “lower priority” so that “scarce resources” (56) can be properly allocated. The challenging fiscal climate was attributed “fundamentally to the accumulating stock of *debt*” (71; original emphasis).

The sense that this document contained a fundamental shift whereby employment and growth gave way not just to the control of deficits, but their elimination, was confirmed in Finance Minister Paul Martin's 1995 budget speech. Martin began by combining alarm with reassurance: “Our resolve, our values, our very way of life as Canadians are being tested. The choice is clear” (1995: 1). Indeed, Martin presents policy *choices* as inevitable. Debt and deficits “are not inventions of ideology” but “facts of arithmetic” (2), while commercialization

and privatization are lauded as “common sense” (14). Those who “care for the social fabric of the country” (27) were told that they must agree to fix the country’s finances before anything else. Most tellingly, fairness was cited as a timeless Canadian principle that the government would forever uphold (7), even though the speech otherwise contained an accumulation of policies that scholars have widely judged to have been unfair, most notably the implementation of the Canada Health and Social Transfer (Moscovitch 1997; Sossin, 1998). Other examples include minimum cuts of ten per cent to unemployment insurance programs; 19 per cent cuts to overall department spending; the elimination of 45,000 public sector jobs; an (unstated) commitment to increasingly monetarist fiscal policy; and finally, an assurance that 85 per cent of total budget savings would come from cuts rather than revenue increases (read: taxes). Not mentioned in the budget were other actions such as the disbanding of the Canadian Advisory Council on the Status of Women, which maintained the previous Conservative government’s general antipathy toward women’s organizations.

Recent scholarship has rightly challenged a straightforward reading of Liberal policies as neoliberal through and through, without necessarily concluding that they were somehow other than neoliberal. Part of the so-called “social investment perspective,” a phrase which deliberately follows the Liberal’s avoidance of the word “spending,” investigates the status of social policy from the late 1990s onward (Jensen, 2009; Saint-Martin, 2007). Specifically it questions whether neoliberalism can provide an adequate explanation of social investment policies. A particularly good example is the Liberal’s move toward a system of universal child care, especially given that Stephen Harper promptly eliminated any such program upon his election in 2006. How can appealing to neoliberalism explain these two divergent policy choices? A convincing answer involves two parts. First, take Wendy Larner’s excellent insight “that close inspection of particular neo-liberal projects is more likely to reveal a complex and hybrid political imaginary” (2000: 12). For the Liberal Party, universal childcare can be seen as a rare instance, post-1993, of its historical commitment to new social policy that is collectivist and pan-Canadian. For the Conservative Party and Prime Minister Harper, that same policy is untenable because it violates the importance of individual choice, and because of the party’s neoconservative sense that childcare should be a family rather than a state affair.

The second part of the answer has been made persuasively by Richard Nimjean, who has shown that under neoliberalism, the economic comes before and takes priority over the social (2005: 40). Thus, even for the Liberals, universal child care was possible only under conditions of budgetary surplus and according to a fully-costed expenditure plan. What Nimjean also helps to reveal, but without articulating it as clearly as his previous point, is that the economic itself is underpinned and preceded by *values*. As I have tried to show and will do so again in the next section, many of values invoked as the supreme justification for new policies end up being significantly reinterpreted and diminished by those same policies.

Stephen Harper and Neoliberal Retrenchment

The political imaginaries I have outlined above are ones in which neoliberal priorities of expanded markets and market efficiency, budget austerity, competition, privatization, and choice, have been presented as necessary to the survival of “Canadian values.” The Conservative Party’s 2006 election platform reiterated many of the core values listed by previous parties: “freedom, fairness, and compassion” (44), followed closely by “democracy, the rule of law, human rights, free markets and free trade” (45). But over time the balance has shifted: neoliberal policies have become more ingrained as part of our shared political imaginary, while the values that required saving are, increasingly, available only when specific economic criteria (namely efficiency combined with economic expansion) are met. In addition, as I suggested above, the neoliberal mindset also makes its way into considerations of policy questions that were previously free from a market-based rationale.

The strategic mixing of non-neoliberal values with an assertive market sensibility has been especially clear in Prime Minister Harper’s concern with changing conditions in the Arctic. He has acknowledged how our responsibility for “this magnificent and unspoiled ecological region” is one that we assume for “all of humanity” (Harper, 2008a). Equally, the government has been keen to assert the Arctic’s central place in Canadian life, no more so than when the prime minister reaffirmed “the timeless responsibility imposed by our national anthem, to keep the True North strong and free” (Harper, 2008b). These obligations are frequently mixed with declarations of renewed sovereign capacities in the Arctic as well as opportunities for economic development. As Harper explained in 2009, the Arctic “holds the potential to be a transformative economic asset for the country. With immense deposits of valuable natural resources and with a talented, energetic and youthful population, the North’s importance has never been greater, even during this time of global economic recession” (Harper, 2009). The mixing of country, security, and economy constitutes sure ground for neoliberal politics. The remaining unanswered question is how this Arctic strategy accommodates issues of climate change, which is at once the greatest threat to Arctic security and why the economic potential of the Arctic is growing. The inability of any Canadian government to come remotely close to achieving the reduction to carbon emissions set out in either the Kyoto or Copenhagen Accords demonstrates the priority ordering of economic growth compared with the environment and even “humanity.”

The values of the market were on display more clearly when the government introduced and passed Bill C-18, which eliminated the Canadian Wheat Board’s monopoly on the marketing of Prairie wheat and barley it has overseen since 1943. The government justified its decision by appealing to the entrepreneurial and competitive opportunities that, along with a more general expansion of freedom, the bill would entail. By contrast, the original monopoly was portrayed as one that “was imposed on Western Canadian farmers by Parliament” (Agriculture Canada, 2011). The Agriculture Minister Gerry Ritz left little room for misunderstanding: “This vote is about a choice between stifling our economy and growing our economy. This vote is a

fundamental choice between shackling farmers or freeing them” (Raj, 2011). It later emerged that the government had broken the law by failing to uphold a 1998 amendment to the Canada Wheat Board Act that would allow significant changes to the Act or the Wheat Board only if farmers voted to support the changes in question, raising the irony that the government imposed its preference in no less an arbitrary fashion than it suggested occurred in 1943. The Board conducted its own vote: 55 per cent of approximately 40,000 eligible farmers took part, with 62 per cent preferring to keep the existing system in the case of wheat, and 51 per cent for barley (Waldie, 2011). The passage of the bill and the refusal to conduct an official vote reflects the decided neoliberal preference for individual over collective determination, or, in another sense, the market’s power of collective determination versus that of individuals acting together collectively.

The case of the Canadian Wheat Board is part of a growing number of instances in which the present government has largely abandoned the attempt to establish a relationship between neoliberal policies and non-neoliberal values. This is patently the case regarding prominent labour market decisions in 2011 and 2010 that have severely limited workers’ primary mode of producing bargaining leverage: the strike. After Canada Post workers began rolling strikes on June 2, 2011, and were subsequently locked out on June 14, the Conservative government passed back to work legislation on June 25. What was especially notable was that the government imposed a wage deal on Canada Post workers that was lower than the one offered by management. This is not without precedent though, since the Chrétien Liberals did precisely the same thing to end a postal strike in 1997. The nature of these interventions promotes the interests of management over those of workers, and demonstrates how neoliberalism has abandoned the Keynesian commitment to allowing the collective bargaining process to unfold free from political intervention. The latter point was made especially clear by the prime minister.

The wage rates set in the bill are only fair. They reflect what we've negotiated with federal public servants. The role of the Canadian government is to act in the higher interest of the Canadian population and the Canadian economy, not in the interests of those that are around the table. (Fitzpatrick and Paton, 2011)

In addition to Canada Post, the government has introduced back-to-work legislation twice in order to block or limit strikes by Air Canada workers. Part of the government’s strategy has been to refer the question of a strike’s legality to the Labour Relations Board because neither management nor a union can initiate a work stoppage until the Board has made its ruling. In the case of Air Canada, in June, 2011, back-to-work legislation was introduced after a three-day strike, prompting a resolution to the dispute. In October, 2011, job action was cancelled after the matter was referred to the Labour Relations Board. And in March, 2012, both strategies were employed. To justify the final instance, the prime minister invoked reasons similar to those he used in the case of Canada Post. “It [Air Canada] is far and away the largest airline in the

country and a shutdown of service on that airline would have significant impact not only on airline service to Canadians but on the transportation system as a whole and potentially on the economy” (Canadian Press, 2012).

Over the Conservative Party’s time in government the values cited above from its 2006 election platform either have been reinterpreted along distinctly neoliberal lines or disappeared altogether. For example, in its 2011 election platform, the Conservatives commit to defending religious freedom abroad. Freedom appears twice in a domestic perspective, first in the context of “increasing the freedom of Canadian’s to spend their own money,” and second for the purpose of allowing farmers to abandon the Canadian Wheat Board for the free market (Conservative Party of Canada, 2011: 25, 59). Fairness, specifically “greater fairness for families,” is another value that gains its force by equating freedom with economic logic: reducing the tax burden on families, and offering them the ability to choose how to allocate tax relief (26). Elsewhere, discussion of democracy concerns the unelected Senate and promises that a Conservative majority will end the undemocratic appointment of senators (62-3). “Compassion” is entirely absent from the 2011 document, as is tolerance. Diversity merits one single mention, while “justice” receives significant attention but only in relation to strengthening our system of law and order that is portrayed as feeble. In short, the period of neoliberal retrenchment in Canada is reflected in the type of values the ruling party prioritizes and how it depicts them.

Finally, it is worth pointing out two trends that are indicative of Canada’s neoliberal era, especially since the recent “Great Recession” prompted policies like government stimulus plans and expanded employment insurance that seem more Keynesian than neoliberal. The first trend is the falling “EI benefit rate,” which is expressed as the percentage of people receiving employment insurance benefits relative to the total number of unemployed. Recent research demonstrates an average benefit rate of 71 per cent and 76 per cent respectively for the recessions in 1981-2 and 1990-1, but of only 46 per cent in 2008-9, with a high point of 48 per cent (Mendelsohn and Medow, 2010: 6). The middle recession is notable because in 1992 the parallel pattern of unemployment to beneficiaries broke: the beneficiary rate fell even as unemployment rose (Workman, 2009: 113). The data show that since the most recent recession, the beneficiary rate has fallen past its pre-recession average of approximately 45 per cent to 39.4 per cent in the last quarter of 2011. This occurred even though overall unemployment increased during that quarter and remains persistently above pre-recession levels.²

Second, income inequality has increased in Canada according to two separate measures. Canada’s GINI coefficient for after-tax income fell in the second half of the 1980s to its lowest ever level of 0.281. It has increased since then, and from 2004 to 2009 (the latest available year) has averaged 0.319 (Statistics Canada CANSIM Table 202-0709). In addition, when Canada’s after-tax income is divided into quintiles, 2009 had the most unequal distribution since statistics were first kept in 1976. The 2009 distribution of after-tax income from lowest to highest quintile is as follows: 7.2%, 12.8%, 17.6%, 23.3%, 39.2% (Statistics Canada CANSIM Table 202-0707).

² Source: Statistics Canada CANSIM Table 282-0087 for unemployment and Table 276-0001 for EI beneficiaries. Numbers are seasonally adjusted. Accessed May 2012.

Notably, the distribution for the decade preceding 2009 is scarcely different, thus ruling out a unique recession-induced increase.

The reason for reciting these statistics is not to claim that they intrinsically convict neoliberal policies of abandoning values of social justice or fairness. Such a conclusion has to be argued for, and what I want to suggest is that the coincidence of realities like increased inequality and decreased unemployment assistance alongside the retrenchment of neoliberal policies, parallels the slow shift away from the social democratic and Keynesian values that were prominent for so long in Canadian political life. Those values have not disappeared entirely – far from it. But I have tried to document a potentially fundamental transition from a time when neoliberalism was invoked in order to maintain existing values, to one where those values are increasingly absent or radically reinterpreted.

This is what is meant by the changing of a country's political imaginary – that a series of apparently small qualitative changes over time results in a deep-seated change in the expectations of what a state can do and how we imagine our relations to other citizens. Consider the following: How many Canadians today would think it is possible or desirable to double the percentage of EI beneficiaries, returning to 1990 levels? Would any political party consider arguing for a return to full employment with the government acting as an employer of last resort? Finally, notwithstanding the Great Recession and the cultural influence of the Occupy movement, how many would think it is possible to reduce our GINI coefficient to approach those of Sweden or even France, say? The values that might once have led in those directions – justice, fairness, equality, opportunity – no longer do so. The sense of solidarity that once enabled the rise of the welfare state has diminished relative to almost every Canadian institution and public policy except the health care system.

The contribution I have tried to make to our understanding of how this has occurred is somewhat at odds with Neil Bradford's (2000) important account of how Canadian neoliberalism was imposed by stealth. I am sympathetic to this claim insofar as neoliberals invoked precisely those values that their policies erode over time, claiming a need for mitigative change that concealed paradigmatic change. Except that matters did not proceed altogether so secretly or quietly. The 1988 free trade election, the Liberal's budget "crisis" beginning in 1994, and the Conservative's bid to spend billions on new fighter jets, are all neoliberal policies that have been pursued with considerable and sometimes maximum visibility. The correct managing of such visibility contributes to the all-important eliciting consent from the public, and therefore is preferable to an all-out program of governance by stealth.

Conclusion

Canada's political imaginaries – the ways we imagine ourselves as a political collective – are enduring yet malleable. This is no more evident than in the case of the neoliberal turn in Canadian federal politics. Proponents of neoliberalism justified their project by presenting it as the only possible way to maintain ingrained Canadian political values. But the promise of

mitigative change partially obscured the more paradigmatic changes involved. Such changes occurred in various policy fields, as I have shown, as well as to the nature of the values that are used to validate state action. The result is that the type of compassion and security Canadians can expect, especially when confronted with difficult circumstances, is limited by an austerity and efficiency mindset; devotion to environmental sustainability and peace has yielded to the pursuit of economic growth and increased militarism; fairness now relates less to social justice than to criminal justice and the “burden” of taxation; and the collective activity of unions or monopolies is portrayed as an affront to the freedom of individuals and markets. The greatest triumph for neoliberalism will be for Canadians to see its values as their own common sense.

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