

■ The Collapse of the Liberal Consensus, 1972–1991

■ For roughly 25 years an overall consensus had prevailed in Ottawa centred on economic and social liberalism. Implicit in that consensus was the belief that the central government should be in charge of a single Canadian nation. Then quite suddenly, around 1972, that consensus collapsed. No single event or factor can be identified as responsible. Rather, a cumulation of problems that defied management—many of which reflected worldwide trends—came together to produce a series of what the media called ‘crises’. Increasingly, politicians and the public alike came to feel that any policies proposed as solutions to such problems could be no more than band-aids placed over festering wounds.

At the same time a shift became evident in the overall public mood and mentality. During World War II almost everyone had accepted the idea of personal sacrifice for the greatest good of the greatest number—a classic liberal position. Thereafter, however, it seemed that self-sacrifice was gradually replaced by self-interest as the mainspring of human activity. Public trust in the nation’s political leaders declined (helped along, no doubt, by the Watergate affair in the United States, as a result of which US President Richard Nixon chose to resign rather than face impeachment), and cynicism became entrenched at the core of the national psyche. Little by little,

Canadians were increasingly attracted to politicians who, whether by implication or by open statement, suggested that they should not have to share after all.

THE DEMISE OF POST-WAR VALUES

For most Canadians the years between 1945 and the early 1970s were a period of affluence, optimism, and nationalism based on the assumption that a strong central government would ensure the welfare of citizens. The relative ease of the post-war era was the product of policies grounded in twentieth-century small-‘l’ liberalism—a delicate balance of private enterprise, corporate capitalism, and public corporatism. Not all those policies were directly influenced by Keynesian economics, but many of them were, and the whole system was orchestrated by the same Keynesian assumptions accepted by governments around the Western industrialized world. All the major Canadian political parties, federal and provincial, from the Socreds to the Parti Québécois, were essentially exponents of liberalism with a small ‘l’.

Yet if liberal economic assumptions combined with federal nationalism were generally accepted even by the Tories during their six years of power in Ottawa, between 1957 and 1963, in

T I M E L I N E

1970

Loto-Québec established. DREE expanded. White Paper on Unemployment Insurance published.

1971

Senate publishes its *Poverty in Canada* report.

1972

Liberals form minority government. FIRA put in place to deal with foreign ownership.

1973

Yom Kippur War raises oil prices. Parti Québécois makes gains in Quebec election.

1974

Western Canada Lottery Foundation founded. Fraser Institute established in Vancouver.

1975

Postal strike. Mandatory wage and price controls introduced.

1976

PQ comes to power in Quebec.

1979

Tories form government under Joe Clark in June but lose confidence vote over budget in House of Commons in December.

1980

Trudeau returns to power. Quebec referendum. National Energy Program introduced.

1984

John Turner replaces Trudeau as Liberal leader and Prime Minister, but soon after loses election to Tories led by Brian Mulroney.

1986

Federal government admits that large numbers of farmers are to be encouraged to leave agriculture. Northlands Bank fails.

1987

Free Trade Agreement successfully negotiated with the US.

1990

GST introduced.

the later 1960s the constitutional framework became a source of conflict. As we saw in Chapter 16, the consensus increasingly came under attack from some of the provinces. It began seriously unravelling in the 1970s, and by the 1980s it was in tatters.

The Canadian political arena seemed incapable of devoting the same energy to economic and constitutional problems simultaneously, and so in the period after 1972 the focus alternated between the economic issues discussed in this

chapter and the Constitution (discussed in the next). The two issues were not entirely separate, of course, for one of the major arguments of the federalists was that strong national policies were required to deal with the country's economic problems. After the election of a Tory government under Brian Mulroney in 1984, both nationalism and federalism were jettisoned for the Free Trade Agreement and Meech Lake, while the principles of liberal economics were at least partially replaced by privatization, clawbacks, and deregulation.

THE LOTTERY MENTALITY

Symptomatic of the new mentality—in which the possibility of sudden wealth for a few replaced the modest but certain comfort shared by all in a welfare state—was the intense interest aroused by lotteries in the early 1970s.¹ The main attraction of lotteries, of course, is the chance—however statistically small—to win an enormous amount of money for a relatively small investment. Lotteries had been conducted informally in Canada for centuries but were generally prohibited by the Canadian Criminal Code until it was amended in 1969 to allow provincial governments and certain other organizations to conduct and manage them. By this time a number of American states had gone into the lottery business. The Société des loteries et courses du Québec (better known as Loto-Québec) began in 1970. In 1974 the four western provinces set up the Western Canada Lottery Foundation (later the Western Canada Lottery Corporation, with British Columbia setting up the British Columbia Lottery Corporation in 1985). The Ontario Lottery Corporation was begun in 1975, and the Atlantic Lottery Corporation started up in 1976. Desperate for new sources of revenue, the provinces seized on lotteries as a way of adding to their coffers. In some provinces, a portion of the profits was designated for specific purposes (often cultural), but in Quebec and the Atlantic region the profits were simply returned to the provincial governments as general revenue. Lottery revenue soon became a political football between the provinces and the federal government. Loto-Canada Inc. was created as a federal Crown corporation in 1976 to help pay for the Montreal Olympics, and Ottawa subsequently set up other lotteries to assist with sport in Canada. The provinces took the federal government to court in 1984, and in 1985 an agreement was reached whereby lotteries became solely a provincial matter.

Probably the most interesting part of lottery mania was the willingness of Canadians to buy tickets, even when they knew how the odds were

stacked against them. For most lottery participants, the chance for a win big enough to retire on was irresistible. Many winning tickets were purchased by informal syndicates of bettors, and there were several ugly court cases over the final distribution of prizes. Not until the twenty-first century were there revelations of corruption in the administration of the lottery corporations, notably through wins by those selling the tickets far beyond random chance.

Objections to the provincial lotteries surfaced from time to time, but the most serious complaints concerned the video gaming machines (Video Lottery Terminals, or VLTs) installed in virtually every drinking establishment in the nation. These machines were regarded as highly addictive, and when they were used by people under the influence of alcohol the consequences could be disastrous not only for players themselves but for their families.² Another subject of dispute was the introduction of gambling casinos on Aboriginal reserves, where they were exempt from most regulation because of the autonomous status of First Nations.³

THE OIL CRISIS

On 6 October 1973—the Jewish holy day of Yom Kippur—the Arabs and Israelis went to war again, as they had done periodically for many years. On this occasion, however, events in the Middle East had an immediate impact on the world. The Arab oil exporters (who dominated the world market) embargoed shipments of oil to nations supporting Israel, including Canada. Shortly thereafter, the Organization of Petroleum Exporting Countries (OPEC), which for 13 years had been a toothless cartel, managed to agree on another price raise, more substantial than the modest one announced before the Yom Kippur War. The price of oil more than tripled in 1973, and all Western industrial nations were suddenly forced to recognize how much their economic prosperity had depended on a constant supply of cheap oil.⁴



- A cartoon by Duncan Macpherson, *Toronto Star*, 19 Nov. 1974. Depicting the Canadian West as the sidekick of big US oil, the Toronto-based Macpherson did nothing to ease regional tensions. LAC, C-112956. Reprinted with permission—Torstar Syndication Services.

Perhaps more than any other single commodity of the post-war era, oil symbolized the North American economy in the age of affluence and the contradictions inherent in it. Cheap oil had made possible the development of the increasingly large, powerful, and comfortable automobiles—the ‘Yank Tanks’, as they were called in

Canada before they became the ‘Detroit Dinosaurs’—that sat in every suburban driveway and clogged every freeway. Many of these cars had V-8 engines producing more than 300 horsepower. The freeways had been paved with materials derived from petroleum. The manufacture and sale of instantly obsolescent gas-guzzlers,

together with the construction of the roads connecting thousands of new suburban developments, were major components of post-war economic prosperity in both the US and Canada. Some saw the car as a symbol of post-war America; others saw it as a sex symbol. Either way, a 20-horsepower electric engine simply did not have the same symbolic value. In addition to consuming gas and oil as if there were no tomorrow, the typical automobile discharged harmful hydrocarbons that were a principal component of the air pollution increasingly affecting North American health. Not until the 1990s would 'global warming' be a phrase on many lips, with hydrocarbon pollution held responsible for much of the problem. In any case, Detroit engineering had never been renowned for its flexibility. By the time Detroit responded to the demand for fuel efficiency and began producing smaller vehicles, the Japanese had taken command of the North American market—in the process signalling the arrival of a new world trading order.

If petroleum fuelled—literally as well as symbolically—the contradictions of the North American economy, it also exposed a number of problems that were specifically Canadian. Some of these had already been newsworthy before OPEC pulled the plug, but they seemed more urgent and apparent as the nation searched for a viable energy policy. The Canadian petroleum industry, located chiefly in Alberta, was almost entirely owned and operated by multinational corporations, most—though not all—of them American-based. Oil, indeed, epitomized the problems of foreign ownership in the 1960s and the early 1970s. Moreover, although the petroleum still in the ground not tied up by the multinationals was a Crown resource, it was controlled by provincial governments rather than the federal state. When the issue of jurisdiction over offshore deposits was added to the provincial control of internal natural resources, oil became a key item of potential dispute in federal–provincial relations (as we shall see in Chapter 21).

Oil consumption in Canada was heaviest in

the industrialized East, while most of the raw material was in the resource-based West—a discrepancy that exacerbated regional tensions. Finally, increases in petroleum prices had a ripple effect throughout the Canadian and world economies, raising an already steady inflation to new highs—and at a time when labour unions were establishing themselves in many key industries, especially in the public sector. Having achieved full recognition of collective bargaining, union organizers next moved for improved working conditions and higher wages to match the cost-of-living inflation facing their members. OPEC's price increases, with promises of more to follow, thus affected Canada in several critical areas: foreign ownership, federal–provincial relations, regional conflicts, and labour relations.

THE RISE OF THE PARTI QUÉBÉCOIS

Virtually the only long-standing problem that did not seem directly connected to oil was that of Quebec and the Constitution—and even that issue had an indirect link to oil through the interest that oil-rich Alberta now had in seeking greater constitutional autonomy for the provinces. On 29 October 1973, a bare three weeks after the first shots were fired in the Yom Kippur War, Quebecers went to the polls to elect a new provincial government. From the outset of the contest between Robert Bourassa's Liberals and René Lévesque's Parti Québécois, the central issue, on which both parties had worked to polarize the electorate, had been the desirability of a separate Quebec. The result, on the surface, was a resounding victory for the Liberals: 1,600,000 votes (54.8 per cent of the total) to 897,000 for the PQ, and 102 seats in the legislature to 6 for the PQ and 2 for the Crédiistes. Nevertheless, the Péquistes had improved their performance over the 1970 election in almost every riding, and did exceptionally well among younger voters in Montreal. Post-election studies confirmed that the majority of Liberal supporters



■ René Lévesque on provincial election night, 29 October 1973. Duncan Cameron/LAC, PA-115039.

had favoured federalism and the majority of PQ supporters wanted independence for Quebec, although there were also other reasons for the PQ's increase in popularity.⁵

The relationship between the Quebec question and Canada's economic problems after 1973 was difficult to determine. In 1976 the PQ won a somewhat unexpected victory, which was not necessarily to be interpreted as a mandate for independence in any form—although one of its campaign promises had been to hold a referendum on sovereignty-association. When the referendum was finally held in May 1980, the Nons—those opposed to negotiating for sovereignty-association—won by 60 per cent to 40. Yet the PQ was re-elected the next year. Especially after the referendum, the federal government of Pierre Elliott Trudeau shifted its focus from the

economy to constitutional issues. Trudeau himself was not only a federalist Quebecer but a constitutional lawyer far more comfortable with the intricacies of the BNA Act than with oil-price equalization or economic planning. Oil and the Constitution were hardly the only issues after 1973, but they were certainly front and centre for many years, and the various attempts to resolve the problems they posed (as well as the ones they ignored) precipitated the deterioration of the traditional consensus.

THE SHAPE OF FEDERAL POLITICS

In Ottawa the years between 1972 and 1991 fall into two very distinct periods. The dividing line was 1984. During most of the first period, the Liberals clung tenaciously to power in several

very close elections (1972, 1974, 1980), although in 1979 they were briefly replaced in office by a minority Tory administration headed by Joe Clark. This period may be best characterized as one of gradual disintegration both for the Liberal Party itself and for the small-'l' liberal consensus of the post-war era. In 1984 the Tories under Brian Mulroney swept to power in the most decisive election since 1945, exceeding even the Diefenbaker sweep of 1958 in percentage of popular vote and number of seats. The change in Quebec was particularly critical, although it remained to be seen whether the shift in allegiance would be as lasting as the one made in 1896, when the province abandoned the Conservatives for the Liberals. The new government would make radical changes in Canada's economic policies.

THE LIBERALS

The fortunes of the federal Liberal Party between 1968 and 1984 became increasingly associated with Pierre Elliott Trudeau, its leader for most of that period.⁶ The identification was partly a product of television's relentless search for visual images and Trudeau's brilliant mastery of the medium. But it was also a product of Trudeau's own political and administrative style; increasingly, he operated as a loner and did not encourage strong professional politicians to emerge around him. Some analysts also talked about the emergence of a new presidential-style politics in Canada, and, as we shall see, there was evidence of some strong American influences. But the 'arrogance' ascribed to Trudeau was personal, not political.

As a French Canadian who had always firmly opposed Quebec separatism, Trudeau had little scope for manoeuvre as public opinion polarized in that province. As a federalist, he had little time for claims to provincial or regional autonomy whether they came from Quebec or from the West. And as an urban intellectual from central Canada, he had no empathy to offer



■ Newly elected party leader Pierre Elliott Trudeau at the Liberal convention in Ottawa, 6 April 1968. LAC , PA-111213.

either Atlantic or western Canada. Eastern voters never deserted him (his worst electoral performance in Atlantic Canada was his first, against Stanfield in 1968), but the West gradually abandoned the Liberals, Trudeau, and Canadian federalism. By 1980 'western alienation' had reduced the number of Liberal MPs west of Ontario to two (both from Manitoba). Never a fervent party man, Trudeau did not cultivate the grassroots, and the powerful Liberal political organizations that had existed before 1970 were allowed to wither away in most provinces, surfacing when federal patronage was to be dispensed but not at federal election time.

Trudeau disturbed many Canadians with occasional forthrightness ('Just watch me'), vulgarity bordering on obscenity (one four-letter word in the House of Commons was transcribed as 'fuddle duddle', and a raised-finger gesture to a western crowd appeared in newspapers across the nation), and unconventionality (he married, separated from, and divorced Margaret Sinclair while in office, dating other women after the separation in 1977 and fathering a child out of wedlock in 1991). Perhaps most damaging of all was an increasing tendency to treat almost everyone (members of his own caucus as well as the opposition, reporters, and voters) as ill-informed if not foolish. Trudeau's public persona oscillated between that of an affable 'swinger' and that of a university professor faced with a particularly dense class.

Trudeau announced his intention of retiring to private life late in 1979, following the Liberals' unexpected electoral defeat in May of that year by the Tories under Joe Clark.⁷ But Clark's minority government fell before a new Liberal leader could be chosen. The caucus persuaded Trudeau to lead the party into the unexpected election of 1980, which returned one of the largest Liberal majorities of the post-war period. He would remain in power for the next four years, becoming one of the longest-serving prime ministers in Canadian history and easily the veteran among contemporary world leaders. In 1984, however, he resigned again and this time made it stick. John Turner had for years been touted as the logical successor to Trudeau, and a Liberal leadership convention chose him on 16 June. Turner became Prime Minister two weeks later, and on 9 July dissolved Parliament for the fateful 1984 election.

John Turner was born in England, came to Canada as a child with his mother and stepfather, and was educated at the University of British Columbia, Oxford, and the University of Paris. Thoroughly bilingual, he entered Parliament in 1962, representing an English-speaking constituency in Montreal (he later moved to an

Ottawa one), and first joined the cabinet in 1965. He ran against Trudeau for the leadership in 1968, and remained in the government as one of its most powerful ministers until September 1975, when he quit the cabinet and then left politics.

Turner had a difficult decision to make in 1984. The polls indicated that the Liberals were in serious trouble. Turner could either run as a fresh face, on the momentum of the publicity surrounding his selection as leader, or remain in office a few months and attempt to establish a record of his own with the existing Parliament. He chose the former option, then compromised it by making several appointments to accommodate members of the Trudeau team. With no new policies to offer, he had to campaign in the face not only of Trudeau's continuing popularity and the general deterioration of liberal nationalism, but of a well-orchestrated campaign by the Progressive Conservatives. To the surprise of almost everyone, Turner turned out to have a singularly inept media presence, particularly on television. Never really perceived by the voters as a fresh face, he went down to a disastrous defeat and the Liberals were reduced to 40 seats.⁸ Four years later, in the 'free-trade' election of 1988, the Liberals did even worse in Quebec and not much better in the West or the Atlantic region; only a resurgence in Ontario prevented another utter disaster. Turner was viewed as a lame duck almost from the moment of the announcement of the results at the polls. Shortly thereafter he declared his intention to step down as Liberal leader, although a leadership convention was not held until the summer of 1990.

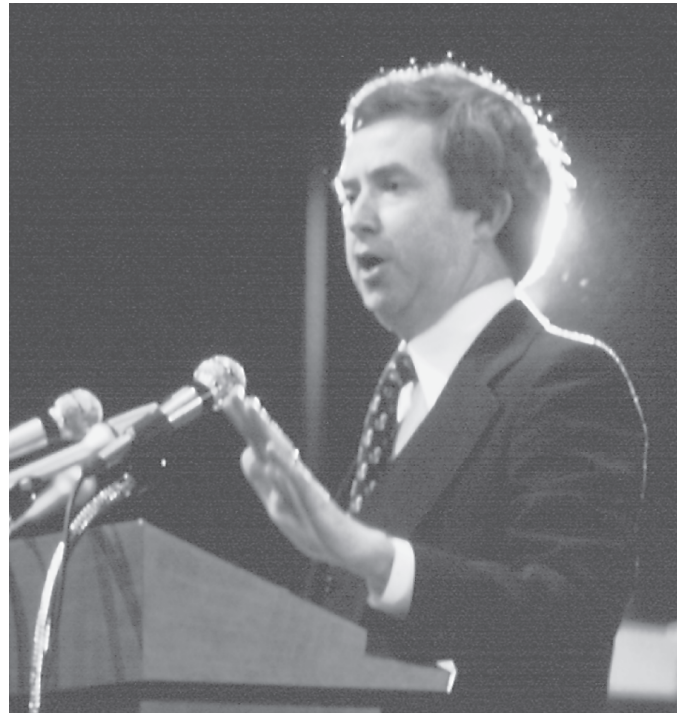
THE PROGRESSIVE CONSERVATIVES

Robert Stanfield led the Progressive Conservatives through three successive defeats at the hands of the Trudeau Liberals before retiring in 1976. He was perhaps the best federal leader of the century who never became Prime Minister. His strengths—common sense, compassion, and consensus-building—might have served him

well if he could have persuaded the voters to elect his party.⁹ Unfortunately, the Canadian electorate found him much too low-key. In his best chance, the election campaign of 1974, he called for wage and price controls, which Prime Minister Trudeau ridiculed—then introduced himself soon after his electoral victory. Stanfield spoke French badly, and—although that was not the only reason—the Tories were never able to mount a credible campaign in Quebec under his leadership: they won only four seats there in 1968, two in 1972, and three in 1974.

Stanfield was succeeded as Tory leader by Joe (Charles Joseph) Clark, one of the few federal leaders of the twentieth century who had no adult occupation other than that of politician.¹⁰ He had been a student leader at the University of Alberta, and later worked for the PCs in Alberta and Ottawa until his election to Parliament in 1972. He persevered to improve his French, which became more than passable, if occasionally awkward. He had unexpectedly emerged as the compromise ‘progressive’ candidate at the 1976 leadership convention, defeating among others Brian Mulroney, who was easily the leading Tory in Quebec despite never having held public office. For many Canadians, Clark was ‘Joe Who?’ The PCs had not made much of a showing in Quebec since the Diefenbaker years, and by the late 1970s had virtually written off the province. The unpopularity of Trudeau’s Liberals was well demonstrated in the 1979 election, when Clark’s Tories received 136 seats to 114 for the Liberals and formed a minority government. The 1979 election, however, also illustrated the limitations of serious campaigning only in English-speaking Canada. The Tories won only 2 seats in Quebec to the Liberals’ 67; anything resembling a decent showing in Quebec would have given Clark a clear-cut majority.

Despite his government’s precarious minority status, Clark attempted to govern Canada as if he had a majority.¹¹ He believed that the other parties (especially the NDP) would not wish to fight another election too quickly, and thought that if



■ Joe Clark speaking at the 1976 Progressive Conservative convention where he won the party’s leadership. Photo by John de Visser.

his government was forced to fight another election prematurely, the voters would give it a majority, as had happened with the Diefenbaker government in 1958. Clark quickly came up against one of the other verities of Canadian politics apart from the Quebec fact: the NDP could keep the Liberals in power (as it had in 1963–5 and 1972–4) but would not support a Tory government, particularly one committed to balanced budgets and the privatization of Petro-Canada. Moreover, Clark’s public image did not improve in office. He received much criticism for seeking to implement his campaign promise of moving the Canadian Embassy in Israel from Jerusalem to Tel Aviv, and on television Clark—like US President Gerald Ford a few years earlier—often seemed to stumble. In December 1979 his government was



■ Prime Minister Brian Mulroney talks with Deputy Prime Minister Don Mazankowski prior to a cabinet meeting in Montreal, 4 September 1986. CP/Paul Chiasson.

defeated on a motion of non-confidence on John Crosbie's budget, particularly gasoline pricing, and in the ensuing election the Tories were beaten by a resurgent Pierre Trudeau.¹²

As leader of the opposition Clark played a constructive role in the constitutional reforms of the early 1980s, but neither the public nor his party showed any real confidence in him. Eventually he called a leadership convention in June 1983, and on the fourth ballot was defeated by 'the boy from Baie-Comeau', Brian Mulroney.¹³ Whether Mulroney's Tories actually represented a different vision that could serve as the basis for an alternative consensus was an open question, especially during the party's first term in office. Certainly they tried to appeal to the centre, which was thought (on the basis of polls

and voting patterns) to have become dubious about many elements of the old liberal consensus. But there was no clear evidence that a new political paradigm was emerging from the ashes of the old one. Instead, the events of the mid-1980s strongly suggested that Mulroney, like Diefenbaker a generation earlier, had no true alternative to offer beyond free trade and friendship with the Americans.

Mulroney's Tories promised that they would not dismantle the existing social welfare state, although the likelihood of maintaining an equitable social system for all Canadians seemed dubious, given the party's insistence on 'fiscal responsibility'. The Tories gradually found some direction away from the old liberal-federalist-nationalist state, committing themselves to better relations

BRIAN MULRONEY (1939–)



Born in 1939 in Baie-Comeau, a prosperous mill town in eastern Quebec on the north shore of the St Lawrence River, about 400 kilometres east of Quebec City, Martin Brian Mulroney grew up fluently bilingual. He attended a private high school in Chatham, New Brunswick, and then went on to St Francis Xavier University in Nova Scotia, where he studied political science and was active in student politics. He was a Conservative from his undergraduate days. After taking a law degree at Laval, he became a corporate lawyer with a specialty in labour negotiations. In sharp contrast to Joe Clark, who had never been anything but a politician, Mulroney entered politics at the highest level without ever having held public office, although he had been active in the backrooms of the party for years. By 1974, when he served on the Cliche Commission investigating violence in the construction industry in Quebec, he was arguably the most important Tory fundraiser in the province.

From his earliest days in politics, Mulroney was a controversial figure. Many critics thought he was manipulative and 'too slick'. Unlike Clark, whose public utterances were stumbling and delivered in a boyish tenor (he took elocution lessons to lower his voice), Mulroney was not only polished in performance and perfectly bilingual, but the possessor of one of the deepest and most mellifluous voices in Canadian public affairs. He was an experienced labour lawyer and corporation executive, proud of the fact that he had closed his Iron Ore Company's mine at Schefferville, Quebec, with a minimum of public reaction. Trained as a public conciliator, Mulroney understood about keeping promises vague and making deals. He also appreciated the Tories' need for success in Quebec, and as his

major plank in the leadership contest he promised the party to deliver that breakthrough. Accordingly, he brought a number of Union Nationale politicians into federal politics and promised Quebec voters a new deal on the Constitution. In the 1984 election he successfully captured the centre of the Canadian political spectrum, which was considerably less liberal and interventionist than it had been 20 years earlier, with a brilliant election campaign against a lacklustre John Turner. By 1987 he appeared to have established two important new policies for Canada: a new constitutional arrangement for Quebec (Meech Lake) and the Free Trade Agreement with the US. A personal friendship with American President Ronald Reagan seemed to facilitate harmony between the two countries.

These triumphs led to an easy re-election in 1988, but in fact Mulroney's accomplishments were not as solid as they appeared. The collapse of Meech Lake in 1990 was damaging, but what really did him in was probably his unbending support of the Goods and Services Tax (GST), introduced by his government and in effect since January 1991. Public hostility to the tax itself was obvious, and if anything this hostility was greater after Mulroney made a number of extraordinary Senate appointments so the tax could be pushed through that body over the strong opposition of the Senate's Liberal majority. After his retirement from politics in 1993, he became the centre of a controversy over influence-peddling (the Airbus affair), which led in 1997 to a government apology for charges made against him. Although Mulroney was not solely responsible for the collapse of the Progressive Conservative Party in Canada in the early 1990s, he had to take the bulk of the blame.

between Canada and the US, a less insistent economic nationalism, and improved relations between Ottawa and the provinces (especially, but not exclusively, Quebec), which meant surrendering some federal power to the provinces. Once in office with an enormous majority—211 seats, of which 58 came from Quebec—Mulroney in 1987 negotiated two controversial agreements: the Free Trade Agreement with the US and the Meech Lake constitutional accord with the provinces. On the strength of those successes he was returned to office easily in 1988, with a smaller but still impressive majority, including 63 of the party's total 169 seats from Quebec.

THE NEW DEMOCRATIC PARTY

Throughout this period the New Democratic Party remained a constant third force. Its continuity was exemplified by the consistency both of its popular vote in federal elections (between 15 and 20 per cent) and of its policies, which were unquestionably federalist, nationalist, and liberal. The party had purged its radical, ultra-nationalist wing, the Waffle, in the early 1970s, in order to remain in the centre of the political spectrum, but it continued to be unable to make significant inroads in either Atlantic Canada or Quebec to establish a truly national presence. None of its leaders managed to establish credibility in Quebec. The NDP was always the biggest loser when the popular vote was translated into parliamentary seats, particularly in eastern Canada. In 1988, for example, it won nearly half a million votes in Quebec, but not a single seat. The party occasionally had influence beyond its numbers of MPs, however, especially during the Trudeau minority government of 1972–4 and the Clark minority government of 1979–80. In the first case the NDP pushed the Liberals to the left, and in the second its refusal to support the PCs led to the Clark government's demise.

From 1971 to 1975 the NDP was led by David Lewis. Born in Russia in 1909, he immigrated to Montreal as a child, graduated from

McGill University, and was a Rhodes Scholar. On his return to Ottawa he practised law and in 1936 he joined the CCF as its national secretary. Lewis was also an active member of the League for Social Reconstruction. He had played a major role during the 1950s, fighting Communist influence in Canada's labour unions, and was an important figure in the creation of the NDP.¹⁴ His selection in 1971 as leader, succeeding Tommy Douglas, came after a bitter contest with the Waffle candidate, James Laxer. In his first election campaign as leader in 1972, Lewis coined the phrase 'corporate welfare bums' to refer to Canadian businesses that exploited their tax advantages, and led the NDP to a position in the Commons that enabled them to hold the balance of power in the minority Liberal government until 1974. In that year, he and his party paid for their collaboration with the Liberals when the NDP won only 16 seats (its lowest total ever to that date), and Lewis himself was defeated in his Toronto riding.

David Lewis was succeeded in 1975 by Ed Broadbent, a former political science professor at York University who had built up a considerable constituency in his home town of Oshawa, Ontario. Despite his inability to improve the party's overall position in a series of elections, Broadbent was an increasingly popular leader. The only serious challenge to his position came in the early 1980s, when many party faithful objected to his support for Trudeau's constitutional repatriation formula. Broadbent and his NDP benefited from the Liberal Party's neglect of traditional economic nationalism in the elections of 1980 and 1984. For most of the years that John Turner led the Liberal Party, the NDP kept federal liberal nationalism alive in Ottawa, and Broadbent was frequently identified in public opinion polls as the most trustworthy political leader in Ottawa.¹⁵ This ringing public endorsement for the man never did translate into gains for the party, however, and Broadbent retired in 1990, to be replaced by Audrey McLaughlin, a former social worker representing the Yukon

Territory in Parliament. Like both her predecessors, as well as her leadership rivals, McLaughlin spoke halting French and was hardly likely to appeal in Quebec. Nevertheless, her selection as the first female party leader in Canada marked the NDP as yet again in the vanguard, for feminist issues were vital parts of the unresolved agenda of Canadian politics entering the 1990s.

THE AMERICANIZATION OF CANADIAN POLITICS?

As early as 1968, when Trudeau was selected as Liberal leader, many observers had identified a trend in Canadian politics towards style over substance, image over intellectual content, and executive prime minister over party caucus and Parliament—all qualities typically associated with American politics. Many of the charges came from people who did not understand the past. Style and image had always mattered in Canadian politics, as the careers of John A. Macdonald, Wilfrid Laurier, and Mackenzie King attested. Strong prime ministers had always dominated party caucuses and even Parliaments. Canadian politicians had always been quite willing to adapt new technologies, particularly on the campaign trail. But the Americans, international leaders in both popular politics and popular culture, usually led the way in the exploitation of new technology to political ends, and Canada typically lagged behind. Moreover, the Americans had developed constitutional mechanisms that seemed much more responsive to the popular will than the Canadian parliamentary system, which was based on British principles that had never included much direct reference to the people.

Canadian political parties copied the formula for their leadership conventions from the Americans, particularly in using these events in the best interests of the television viewers rather than of the delegates. The Liberals had won the election in 1968 partly on the strength of the publicity accompanying their leadership convention, and by the 1970s it would have been

unthinkable to choose a party leader except in the full glare of the television cameras. Parties came to see the leadership convention as a way to monopolize a few days of news coverage and provide a launching platform for a new leader. The television coverage of these periodic rituals was equally imitative of American models. Despite the introduction of televised parliamentary debates, most Canadians still got much of their political information from TV news.

Whether the American 'presidential style' had a significant influence in Canada is somewhat less clear. Television not only encouraged the public to perceive the chief executive as the embodiment of the entire government, but made it essential that he or she perform well on TV. (The Americans took this conjunction to its logical conclusion when they elected a professional actor as their president.) Certainly Pierre Trudeau and Brian Mulroney both benefited from their ability to project effectively on TV. A more obvious example of American influence was the idea that the Canadian Senate should be 'Triple E': equal, elected, and effective. The idea of electing senators and giving them a positive role in the legislative process is profoundly American, and would unquestionably disrupt the Canadian political tradition of British-style responsible government.

The referendum used in Quebec, in 1980, to measure the public support for sovereignty-association was widely regarded as an American innovation. It was true that the US had made frequent use of referendums since they were introduced as a populist reform in the early 1900s. But they were not unknown in Canada. The federal government had held a referendum in 1898 over prohibition and again in 1942 over conscription (although in that case it was called a plebiscite), and Newfoundland had used more than one referendum to decide on unification with Canada. In many ways, the most important new political tool of the post-1970 period was the computer, particularly when it was harnessed to the older device of the public opinion poll. The computer enabled political campaigns to tar-

get potential supporters for special attention, and made it possible to test policy alternatives with the public on a constituency-by-constituency basis. Politicians were now able to get regular feedback about how their policies would be popularly received and to target key ridings at election time. Both the software and the techniques used by pollsters were largely taken from contemporary market research, most of which was American, and the central assumption was that political policies could be sold to the electorate the same way that soft drinks were. In the 1984 election campaign, the Mulroney Tories pioneered in the sophisticated application of computerized marketing, obviously quite successfully. Once in power, the Mulroney government allegedly used similar techniques to market free trade and Meech Lake to the Canadian public.

THE FEDERAL CIVIL SERVICE

By the end of the 1960s, 200,000 Canadians were employed in the federal public service. That total grew by 37 per cent during the first half of the next decade, reaching 273,000 by 1976. Between 1970 and 1976 alone 241,000 new appointments were made to the service and 438,000 appointments within it.¹⁶ Under Trudeau the government had made a serious effort to rationalize and control the bureaucracy. The result was initially a greatly increased prime ministerial staff, headed first by Marc Lalonde and then by Michael Pitfield—which was the source of many of the complaints about encroaching presidential style. Ultimately, an entirely new level of bureaucrats emerged whose task was to use contemporary systems analysis to plan, rationalize, and staff. Nine cabinet committees were created in the early 1970s to assist in the process, recruiting new ‘super-bureaucrats’—young, male, and university-trained in public administration—who were attracted to Ottawa by the opportunities for involvement in power politics at the highest level.¹⁷

By the mid-1970s the federal service was

exhibiting many characteristics that would become entrenched over the succeeding years. There were very high rates of turnover, often leading to instability, in the lower rungs, and increasing tendencies towards centralization in Ottawa–Hull, particularly in senior management positions. By 1976, 70 per cent of senior managers were in the nation’s capital. (One by-product was that Ottawa–Hull consistently had the country’s highest average income per family.) The federal public service had always discriminated against women at the upper levels, but that tendency became even more pronounced after 1976, a year when half the male civil servants were managers and over 90 per cent of the females were non-managers.

No agency was more male-dominated than the Privy Council Office itself. The managers were also relatively young, and the federal bureaucracy—like other professional organizations of the post-1970 period—was unable to recruit new members into its upper ranks because of the large numbers already there. When the size of the bureaucracy was finally frozen in the early 1980s, it was an aging, male-dominated hierarchical structure that was almost totally unresponsive to either outside directives or official policy statements. Instead of serving as the instruments of centralized federal policy, the federal bureaucracy had become a symbol of its stagnation. As so often happens, once the system had come to full fruition, it was no longer a subject of current debate except as a target for complaints about the inertia and failure of government. This situation would continue through the end of the century—and into the next one.

THE ECONOMY IN THE 1970S

THE ‘ECONOMIC CRISIS’

The so-called economic crisis of the mid-1970s did not arrive overnight, and it ought to have been expected. At the same time, the measurable components of the crisis did not square well with

the liberal economics (*pace* Keynes) that had dominated Canadian thinking since World War II. Runaway inflation, high interest rates, high levels of unemployment, and substantial poverty—all visible economic indicators—were supposed to be things of the past, and in any event ought not to be occurring simultaneously. In traditional economics, unemployment and poverty represented an economic downturn, even a recession or depression. Nobody wanted a depression, but the system was supposed to be self-correcting, with inflation and interest rates falling in response to the economic slowdown. Instead, some sectors of the economy were behaving as if they were overheated, while others were giving quite contrary signals.

The reasons for the contradictory economic indicators were not easy to explain to the Canadian public, particularly since the experts themselves did not agree on interpretations. Several realities were, or ought to have been, clear. One was that the manufacturing economies of the rest of the industrialized (and industrializing) world had not only recovered from the devastation of World War II, but had modernized and jumped ahead of a laggard Canada, which was unable to compete either internationally or in its own domestic market. While there were many reasons for Canada's manufacturing decline relative to its competition, a key factor was unusually low output per worker, which meant relatively high costs per unit. Some Canadians blamed the decline on foreign ownership, others on inadequate research and development. For some years, beginning in the 1960s, Canada had protected its domestic market and industries with higher tariffs and import quotas, but such responses only made it more difficult to sell Canadian goods in the world market. Canada was now manufacturing in a far more competitive and cutthroat world than ever before.

At the same time that Canadian manufacturing—notably in traditional sectors such as steel, automobiles, textiles, and shoes—was in serious trouble, Canada seemed unable to take full

advantage of what many thought ought to have been its principal economic card: access to cheap energy and raw materials. Here, of course, what was in the best interests of the manufacturing industries was not in the best interests of the possessors and producers of those raw materials. The international cost of many raw materials shot up markedly in the early 1970s, creating a boom in the resource sector of the Canadian economy just as the manufacturing sector was becoming increasingly flat. The federal government tried to balance matters out a bit—as with its complicated multi-tiered pricing system for petroleum—but it only angered the producers (led by the Alberta government) without receiving the gratitude of consumers. Higher prices for gas, oil, and coal not only enraged consumers in central Canada, but also encouraged producers to sell abroad.

THE RESOURCE SECTOR

To make matters worse, not all sectors of Canada's resource economy benefited equally from international inflation. On the whole, prices for raw foodstuffs—either internationally or domestically—did not increase commensurately with those for other materials. The price of wheat more than doubled during the early 1970s, to the benefit of western farmers, but the price of oil rose from \$2 to \$30 per barrel and the price of breakfast cereal more than tripled. Through a complicated system of protectionism and subsidization, federal and provincial governments succeeded in insulating both the Canadian farmer and the Canadian consumer from the worst consequences, but the pricing problems remained unresolved. The price of food in Canada stayed comparatively low, costing a lower percentage of family income in 1980 than it had in 1970.

Despite quotas and marketing boards, Canadian farmers continued to produce more than the market required, especially since that market was also being supplied by American

farmers who could produce at even lower costs. High operating costs (including energy) and high interest rates combined with fluctuating, even declining, prices to squeeze many Canadian farmers. No Canadian doubted that farmers were the backbone of Canadian society, or that—despite the temporary prosperity provided by wheat production in the early 1970s—the agricultural system, along with Canadian society, was in serious trouble. Uneven rainfall made matters worse. Nevertheless, the preferred solution was government assistance for farmers rather than higher food prices. Not all farmers would be supported, however.¹⁸

In early June 1986 the leading bureaucrat in Agriculture Canada created an uproar in Parliament by admitting in an interview that the federal government intended to resolve Canadian 'farm problems' by encouraging thousands of marginal farmers to leave the business. 'To me, the basic dilemma of the next three years will be to ease, assist and support the transition without installing terribly uneconomic devices', he said. 'I think 15 to 20 percent [fewer farmers] is not unrealistic. The period is another matter.'¹⁹ Rural depopulation was hardly a new phenomenon in Canada, and programs to eliminate uneconomic producers in the fishery, for example, went back many years. But to state openly that there were too many farmers was not only to play with political dynamite, but to provide a graphic illustration of how much the nation had changed since Confederation, which had been undertaken in part to allow Canada to open a new agricultural West.

Although the opposition in Parliament demanded to be told how the 'one-in-five' farmer to be eliminated would be chosen, there was little mystery about who were most vulnerable: younger farmers, new to the business, were at maximum risk, although any farmer heavily in debt was in trouble. In the early 1970s young entrants particularly had responded, with the usual optimism of the agricultural community, to higher grain prices (created by crop failures in

the USSR, India, and Argentina) by borrowing money to buy land and equipment. In the early 1980s a combination of high inflation and falling commodity prices led to disaster for many in the farm community, despite heavy subsidies, but that downward turn was a short-term factor in the farm crisis. Perhaps the most important long-term factor was the cost of farmland, which was being driven up by non-agricultural causes. In Ontario, for example, land prices averaged \$795 per acre (0.4 hectares), and were obviously much higher in prime areas—even after the bottom had dropped out of a speculative market in 1984—and good wheat land in the West was worth nearly \$1,000 per acre. Those farmers who did not inherit their land started out deeply in debt, and only buoyant prices would allow them to rise out of it.

Even so, the farmers' dilemma in the 1970s and 1980s was not as apparent as that of the fishing people. Not only were fish stocks being constantly depleted by overfishing on the part of both domestic and international fleets, but the price of fish was not entirely dependent on supply, for fish had to compete with other foods. Luxury items such as lobster could sustain greater price increases, but the market for them was limited at best. Were the price of fish to get distinctly out of line with wheat, beef, or chicken, consumers could stop buying it altogether. Canadian fishers demanded protection for their fish stocks, while repeated government investigations indicated that there were too many Canadian fishers as well as too much international fishing in Canadian waters, especially off the Atlantic coast. Many fishers and their families compensated for inadequate earnings by collecting unemployment compensation (made possible by changes in the Unemployment Insurance Act of 1971) and by working in other jobs much of the year. But these strategies offered no permanent solution.

A more promising way of dealing with the difficulties experienced by the Atlantic fisheries was to provide fishers with new forms of employ-

ment. Under the Trudeau government of 1968–72, regional economic development and the correction of long-standing economic disparities had assumed a high priority. Federal programs, spearheaded by the Department of Regional Economic Expansion (DREE), pumped large sums of money into the Atlantic region. Unfortunately, regional development turned into a contest between the federal government and the provinces, partly because Ottawa needed to justify expanding centralization in order to keep Quebec and the West from getting out of control. Nor was job creation a panacea for regional disparities. In the Atlantic region, for example, new jobs were created at rates above the national average in the early 1970s, but the regional rate of unemployment outpaced that of job creation, mainly because of population growth fuelled by the promise of new jobs; people remained at home rather than migrating to areas of higher employment.

THE TRUDEAU GOVERNMENT AND ECONOMIC POLICY, 1968–75

The first Trudeau government, focusing on what the Prime Minister called ‘the Just Society’, related the performance of the Canadian economy to the needs of the society. Thus, in the early 1970s critics argued that unemployment insurance was serving as a sort of public welfare or even income redistribution program. In 1970 the Trudeau government published a white paper entitled ‘Unemployment Insurance in the 1970s’, which recommended that unemployment insurance coverage be extended to most of the adult population, the benefit increased to 66 per cent of former earnings, the qualifying periods be shortened, and the benefit period lengthened. The new Unemployment Insurance Plan was introduced in 1971, allowing the government to avoid directly confronting the concept of a guaranteed minimum income for all Canadians.

In addition to ‘discovering’ the structural realities of regional economic disparities, the government drew attention to the structure of



■ A demonstration by the National Farmers Union at the Alberta legislature, Edmonton, 9 November 1974. *Edmonton Journal* photo, Provincial Archives of Alberta J.1579/3.

poverty in Canada. The two issues were not unrelated. The key document was the report of a special Senate Committee on Poverty (appointed late in 1968) entitled *Poverty in Canada*, which first appeared in November 1971 and was reprinted several times over the ensuing months. In many respects, this report represented the high point of official ‘liberal’ thinking in Canada. It recognized that not all Canadians had shared equally in the post-war prosperity. It also pointed out that Canada had the highest unemployment among industrially advanced nations and that it was not randomly distributed: rather, it was centred on a minority of the labour force in certain economic sectors and in certain regions.

In effect, poverty in Canada had become

structural, perpetuating itself despite the welfare system. Indeed, the report argued that the welfare system itself helped to perpetuate poverty by keeping recipients going but not improving their situation. The committee recognized that single mothers made up an important segment among the poor, and called for improved daycare facilities. Its radical conclusion was to recommend a guaranteed annual income for all Canadians and incorporation of 'the right to an adequate standard of living for all Canadians into the Canadian Bill of Rights'.²⁰ Although the social inadequacies of the existing welfare system were well documented, the idea of a guaranteed income was doubtless Utopian.

In 1972 the Canadian electorate decided that the Trudeau government did not deserve a majority, electing 109 Liberal, 107 Tory, and 31 NDP MPs. Trudeau continued to govern with the support of David Lewis's NDP. The Just Society was put on the back burner during much of Trudeau's minority term—despite pressure from the NDP—chiefly because of the oil crisis, which forced the government to concentrate on the economy itself. While the Foreign Investment Review Agency (FIRA) was put in place to deal with the problem of foreign ownership in Canada, the OPEC action put oil and its successor, inflation, at centre stage. As might have been expected, Canadians had difficulty understanding the complications of the intersection of international and domestic economic problems. In 1974 the Liberal government again went to the polls. Robert Stanfield's Tories wanted to deal with an escalating double-digit inflation by introducing wage and price controls, a policy the Prime Minister pooh-poohed from coast to coast. To Stanfield's disappointment, voters rejected the idea of controls, and Trudeau won a resounding victory that almost demolished the NDP.

The unholy trinity of economic problems— inflation, interest rates, and unemployment, all in the double digits—continued unabated. Those seeking explanations could have blamed the banks, for the interest rates, or the business sec-

tor, for the unemployment. Instead Canadians generally chose to fasten on the most visible and immediate of the three problem areas—inflation—and a single factor to explain it. Polls taken in 1975 indicated that the majority of Canadians blamed inflation on overly powerful labour unions demanding unreasonable wage settlements.

Organized labour in Canada had made its great gains after World War II, and especially after 1960, when it grew in total membership, in its percentage of the workforce, and in its penetration of new industries, particularly in the public sector. Labour unions sought to protect their members from the effects of the new economic conditions, particularly by demanding high wage settlements and opposing management efforts to rationalize and modernize their workforces through the traditional mechanisms: laying off or firing redundant workers.²¹ Strikes in many industries—including a much-publicized postal strike in the summer of 1975—made the demands of labour appear unreasonable. The 'posties' not only disrupted a public service that Canadians had long taken for granted, but won a substantial wage increase and a significantly shorter workweek in the process. There was apparently little public sympathy for such public-sector employees as the postal workers, though their wages had systematically fallen behind those of the private sector and their civil service managers appeared incapable of dealing fairly with them. When police, fire fighters, nurses, and teachers began taking similar steps, Canadians became alarmed. Not only were key public services threatened with interruption by strikes, but wage settlements in the public sector would have to be financed through either higher taxes or deficit spending.

THE GROWTH OF GOVERNMENT SPENDING

The traditional Keynesian system—in which deficits were not considered a significant prob-

TABLE 20.1

TOTAL HEALTH-CARE SPENDING, CANADA AND THE UNITED STATES, 1960–1991, AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT

Year	Canada	United States
1960	5.5	5.3
1965	6.0	5.9
1970	7.1	7.3
1975	7.3	8.3
1980	7.5	9.2
1985	8.7	10.5
1991	9.9	13.2

SOURCE: Canada, Department of National Health and Welfare, Health Information Division, Policy, Planning and Information Branch, *Health Expenditure in Canada, Summary Report, 1987–1991* (Ottawa: Health Canada Mar. 1993). Reproduced with permission of the minister of Public Works and Government Services Canada, 2007.

lem—had become conventional wisdom because it offered an alternative to the regressive measures undertaken in response to the Great Depression. Although political leaders in the 1930s had balanced their budgets, a great many people had suffered in the process. According to Keynes, balancing the budget was exactly the wrong thing to do in a time of depression. Instead, governments needed to spend money to stimulate the economy, correcting the deficits created in bad times by increasing revenues in good times. Some liberal economists held that deficits never did have to be retired—although the age-old problem with public deficits is that they represent government debt that has to be maintained through interest payments. High interest rates, such as those of the early 1970s, made the government debt much more expensive to service, and the economic problems of the period set in motion a number of automatic mechanisms, built into the welfare state's safety net, that greatly increased public expenditures. When particular government programs of the

day were added to automatic spending, the result was such a rapid increase in deficits that they became a public issue in themselves. By 1992–3 federal and provincial deficits together were \$57.9 billion for the year.

Two competing theories were developed to explain the growth of government spending. One saw increased spending as natural, inevitable, and incremental, the product of a modern economy and society facing new demands and expectations. For example, the increased public role in health care certainly increased the expenditures on health care in Canada between 1960 and 1991, not only in absolute terms but especially in terms of the percentage of the gross domestic product devoted to it, although the increase was not as great as in the United States (see Table 20.1). By 1991 the total annual health-care bill in Canada was about \$2,500 per capita. Behind the increases in spending on health care were new medical technologies and treatments (including new pharmaceuticals), the aging of the Canadian population, and greater use of the system by its

clients. Health-care insurance was by far Canada's most expensive social program and the largest single item in every province's budget.²²

The other theory, rooted in the self-interest of collective decision-making, has usually been called 'public choice' theory. It argues that the self-interest of politicians for popularity and of civil servants for larger budgets coincide to produce constant pressure on budgets. Public choice theory lies at the heart of the British television series *Yes, Minister* (later *Yes, Prime Minister*) that was widely enjoyed in Canada in the 1980s.²³ It is far more cynical than the incremental interpretation, and encourages the suspicions that many Canadians harbour concerning their political leaders.

Most Canadians recognized that they could not run their own households forever on government-style spending principles, and a host of more conservative economists now emerged to confirm that recognition. At their head was Milton Friedman of the University of Chicago, who set against Keynesianism an economic theory usually called monetarism. Friedman rejected the concept of the welfare state, insisting on a close relationship between general price levels and the money supply and opposing deficit spending. The best policy was to control the stock of money (and therefore inflation) and otherwise leave the market to regulate itself.²⁴ Signs of the rise of conservative economics in Canada included the establishment of think-tanks such as the Fraser Institute of Vancouver (1974) and the introduction of departments and faculties of business and management at Canadian universities, a trend that really took off in the early 1970s. The establishment or expansion of these faculties was partly a response to the alleged failure of departments of economics (often dominated by the Keynesians or even Marxists) to serve the needs of Canadian business and industry.

TRUDEAU'S ECONOMIC POLICY

The net result of these developments was the about-turn executed by Prime Minister Trudeau

on wage and price controls, as well as on public-service unions. The government's tinkering with policies of voluntary restraint is associated with Finance Minister John Turner, whose May 1974 budget was defeated, forcing an election. He resigned in September 1975 and left politics the next year. On Thanksgiving Day 1975—a day chosen to catch the largest possible number of Canadians at home—Trudeau announced in Parliament and on national television that mandatory controls were necessary on any private corporation with more than 500 employees and on every public civil servant employed by the federal government. Increases would be held to 10 per cent in the first year, 8 per cent in the second, and 6 per cent in the third year of the program. Provincial governments of all stripes (even NDP) accepted the policy. Even though the Anti-Inflation Board did more to limit wages than prices, Canadians did not object. They also seemed to approve of the government when it adopted a far more confrontational policy towards its public-service unions.

The economic crisis of the mid-1970s, brought about when the policies and principles of 30 years of prosperity all seemed to collapse together, called for new initiatives from government and people alike. Some members of the public recognized the deep-rooted nature of the problem, but most preferred to find scapegoats, blaming labour unions in particular for something that was everybody's responsibility. Like the public, Trudeau's Liberals talked about the need for structural reform of the economy, but they were satisfied with band-aid solutions. Trudeau himself preached the need to consume less, but did nothing to encourage or compel such a development. The crisis passed without significant economic changes at either the public or the private level. And with the PQ's victory in late 1976, Ottawa considered the problems posed by Quebec to be more urgent than economic issues. Thus the Trudeau government—like other governments in Canada and around the world—continued to spend more than it col-

lected in taxes and revenue, with no apparent concern for the future.

Increasingly the energy crisis led to confrontations with the provinces, especially Alberta. After its return to power with a majority in 1980, the Trudeau government unilaterally introduced the National Energy Program (NEP), a typical pre-emptive strike designed to avoid the need to negotiate with the provinces. The NEP dealt with many of the controversial matters of the past few years. It encouraged oil exploration and drilling, as well as consumer conversion to gas or electric heat. It took an increased share of energy revenues in the form of taxes and a government stake in new discoveries. It expanded the role of the Crown corporation Petro-Canada. All these measures were predicated on the assumption that the energy crisis would continue and the international price of oil would remain high. OPEC could not maintain a unified front, however, and prices began to drop in 1982. Although most features of the NEP were discontinued after the Mulroney government took office in 1984, the oil-producing provinces remained suspicious of Ottawa and its energy policies for many years thereafter.

THE ECONOMY IN THE 1980S

The 1980s were spared economic crises such as those of 1973–5 until the very end of the decade. The Canadian economy, however, settled down to rates of unemployment, inflation, interest charges, housing costs, and taxation that would previously have been regarded as disastrous. Throughout the decade, the annual seasonally adjusted unemployment rate never went below 7.5 per cent, and it remained in double figures between 1982 and 1985. Inflation dropped below double figures in 1982, but consumer prices continued a constant increase throughout the rest of the decade, at rates ranging from a low of 4 per cent (1985) to a high of 5.8 per cent (1983). Interest rates dropped from 1981 highs close to 20 per cent for prime bor-

rowers, but the prime rate fell under 10 per cent only in 1987 and increased again substantially in 1989 and 1990. Taxes as a percentage of personal income ran at 18.9 per cent in 1980 and 22.0 per cent in 1990; in no intervening year was there anything but another small annual increase.²⁵

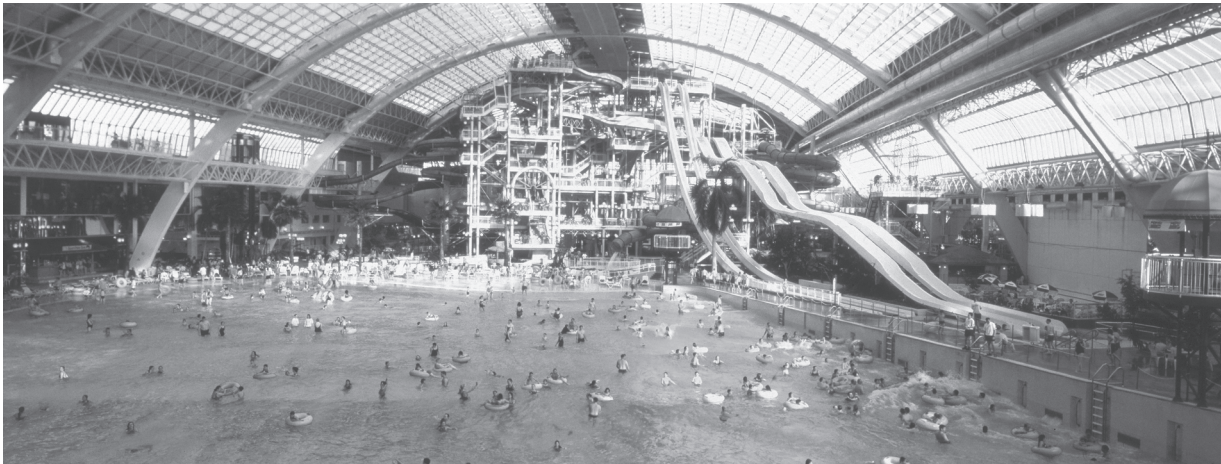
Canadians soon became accustomed to the new situation, and stoically took even the worst of times in stride. An economic slowdown that started in 1980 and by 1983 saw unemployment climb to 11.8 per cent of the total workforce (19.8 in the under-25 group) received minimal attention from the media, perhaps because attention was focused on the Constitution debate. There were no major new public initiatives for dealing with the economy and its problems in this recession. The social welfare net clicked in automatically, and while more Canadian families fell below the poverty line, few actually starved—or demonstrated in the streets. Canadians recognized that jobs were becoming harder both to get and to keep. The young, in increasingly large numbers, responded to the new situation by pursuing higher education, especially in courses that promised an immediate economic payout on graduation. But they did not become radicalized in any serious way—perhaps because they were too busy working at part-time jobs to keep up the payments on their credit cards.

Despite the decline in the Keynesian liberalism that had dominated most of the twentieth century and the rise of a ‘conservative’ ideology based on private enterprise (confusingly, this was what the nineteenth century had called ‘liberalism’), the 1980s set new records for mortgaging the future. Canadians everywhere—from Parliament to the universities—were living literally beyond their means. West Edmonton Mall—the world’s largest shopping centre at the time of its completion, in 1986—could be seen as a symbol for this consuming society. The total debt of the federal government grew from \$100 billion in 1981 to \$380 billion in 1990, which on a per capita basis was an increase from \$4,140 to

TABLE 20.2
UNEMPLOYMENT RATES, 1981-1990 (%)

Year	Rate	Female	Male	Under 25
1981	7.5	8.3	7.0	13.2
1982	11.0	10.9	11.0	18.7
1983	11.8	11.6	12.0	19.8
1984	11.2	11.3	11.2	17.8
1985	10.5	10.7	10.3	16.4
1986	9.5	9.8	9.3	15.1
1987	8.8	9.3	8.5	13.7
1988	7.8	8.3	7.4	12.0
1989	7.5	7.9	7.3	11.3
1990	7.9	7.9	7.9	12.5

SOURCE: Minister of Industry, Science and Technology, *Canadian Economic Observer: Historical Supplement, 1990/91* (Ottawa, 1991), 36.



- The 'World Waterpark' in the West Edmonton Mall. Built in three phases from 1981 to 1986, the mall is a prime tourist destination—a massive complex of department stores, shops, restaurants, recreation areas, amusements, and services that also includes a luxury hotel. Courtesy West Edmonton Mall.

\$14,317 per Canadian in only 10 years. (In 1970 the per capita figure had been a mere \$795.60.) There had not been a budget surplus since the fiscal year 1972–3. Among developed nations only Italy—always regarded as the weakest country of post-war Europe—had a worse record of debt management.

At the same time, the Canadian consumer debt more than doubled from \$46 billion to \$101 billion in the eighties, increasing in small but steady increments from 18.7 per cent of post-tax personal income to 21.5 per cent. Much of that debt, of course, was incurred through the credit cards issued in profusion by banks, credit unions, stores, and just about every kind of business imaginable. In the last year of the decade, the number of bank credit-card transactions alone increased from just over 100 billion to over 150 billion. Residential mortgage debt nearly tripled (from \$88 billion to \$237 billion) and as a percentage of post-tax personal income grew from 35.4 per cent to 50.2 per cent. Over 10 years, Canadian personal consumer debt (including mortgages) had increased from 54.1 per cent of disposable personal income to 71.7 per cent, despite a larger tax bite and truly debilitating interest rates, which for individuals never dropped into single digits over the entire decade. Personal savings rates declined constantly over the 1980s, and personal consumption rates increased considerably faster than inflation. Given the amount of deficit financing, it was surprising that only two major financial institutions (the Northlands and Canadian Commercial Banks in Alberta) collapsed, although there were reports that several of the chartered banks were in some difficulty because of loans made to Third World nations.²⁶ In March 1992, it emerged that some of the chartered banks' diciest loans had been made (in 1990) to a Canadian corporation, Olympia & York Developments Ltd, for the construction of a major new office complex in the Docklands area of London, England.

Both the housing industry (nearly 2 million new housing starts) and the automobile industry

(nearly 10 million new cars and more than 7.5 million trucks) boomed for most of the decade, as did manufacturers of big-ticket consumer items like furniture and household appliances. Many popular bumper stickers referred to consumer spending; one common slogan was 'We're spending our children's inheritance'. As always, Canadian secondary manufacturing relied on the domestic market (which was going ever deeper in debt) for its prosperity. In 1981 nearly 60 per cent of the value of Canada's exports was in primary and resource commodities, and that figure did not change appreciably over the decade, declining slightly towards the end of the period because of the softness of the international resource market. Despite the generally overheated nature of the Canadian economy (and perhaps because of it), not all Canadian corporations flourished. The early 1980s saw three corporate busts: Massey-Ferguson, the farm equipment manufacturers; Canadair Limited, the airplane manufacturers; and Dome Petroleum.²⁷ The first two succumbed to better-managed international competition, the last to a rapidly acquired debt load with chartered banks that represented a substantial proportion of its capital.

THE SAD FATE OF THE POST OFFICE

In May 1986 Michael Wilson, the federal Minister of Finance, labelled 'not acceptable' a review committee's recommendation that Canada Post be allowed a grace period until 1990 before becoming financially self-supporting. Wilson wanted quicker action. The episode symbolized the new political thinking. Whereas an earlier federalism had regarded the Post Office as an essential national service, now all that mattered was its 'financial self-sufficiency'.²⁸

From the first Post Office Act of 1867, the Canadian government had emphasized the need for a cheap, accessible, and efficient postal system. In 1884 one politician summarized the public attitude when he argued in a House of

Commons debate that 'Post Offices are not established for the purpose of providing a revenue, but for the convenience of the people', adding that post offices, like public works, could be viewed from the standpoint 'that the general business of the country will be promoted by them'.²⁹ Even though the system continued expanding before World War I, it turned surpluses regularly, if not annually, between 1900 and 1958. Two factors made profitability possible: the extent to which the postal service dominated communications in Canada, and the government's accounting practices, which charged the costs of land, buildings, and furnishings to Public Works rather than the Post Office itself. In the 1960s the postal service became unionized and no longer ran at a profit, but it was not yet in danger of being dismantled.

Not until the early 1980s did many commentators become concerned with the Post Office's 'deficit', which increased substantially after the government ended the practice of burying postal costs in other departments. The deficit was regarded as shocking by those Canadians, chiefly businessmen, who no longer relied exclusively on the mail to conduct their business and who increasingly saw the government service less as an essential public service than as an antiquated communications business in competition with other delivery systems. Much of the competition (couriers, telex, fax) had developed in response to the interruption of mail delivery by a series of crippling postal strikes in 1965, 1968, 1975, and 1981 and to a general deterioration in service, some of which was the consequence of the Post Office's efforts to cut costs.

In 1980 the federal minister responsible for the Post Office, André Ouellet, threw his support behind the central recommendation of a 1978 study group that a Crown postal corporation be established, to 'give Canada Post the independence to function in the marketplace in a way that is not possible now'. In 1985 another review committee insisted that the continuing operating deficit of Canada Post had to be eliminated

quickly, and claimed that Canadians were prepared to accept far longer delivery times (which had already increased from one day coast-to-coast in 1962 to four days in 1985) and higher costs in return for some standard of reliability.³⁰ Although much older than the many other universally accessible national services created in the affluent period following the war, the postal system—like them—had also been sheltered by the pre-1972 consensus and was shattered by its collapse.

THE TRIUMPH OF THE PRIVATE ENTERPRISE MENTALITY

A key catchphrase for business in the 1980s was 'better management practices'—necessary if Canadian corporations were to compete in the dog-eat-dog world of international capitalism. But there were also some contradictory trends, such as the growth in the mystique of the swash-buckling entrepreneur. The dichotomies of the era were reflected in the titles of two popular books for business readers: *In Search of Excellence* and *The Money-Rustlers*. The favoured entrepreneurialism took two basic forms. One involved manipulation of billions of dollars of borrowed money (in an age of easy access to credit at all levels) by mega-speculators on the international level. Robert Campeau, perhaps the most notorious speculator, had begun as an Ottawa contractor and flourished in the dizzy world of real estate development from the sixties to the eighties, along with Albert, Paul, and Ralph Reichmann (Olympia & York) and E.P. Taylor (Cadillac-Fairview). Campeau eventually moved into the American market, obtaining a number of merchandising corporations (including Saks Fifth Avenue and Bloomingdale's) on his way to eventual collapse.³¹ The other favoured entrepreneur was the small businessman, who became one of the darlings of government and the business journals in the late 1980s.

Of course the private enterprise mentality that emerged in the 1980s, at the political as well

as popular level, was not merely a Canadian phenomenon. The Mulroney Tories were actually participants in a worldwide trend that was characteristic of the decade. It had begun in Britain with the election of Margaret Thatcher in 1979 and continued in the US with the triumph of Ronald Reagan in 1980.³² (Even the Russians would get into the act, with Mikhail Gorbachev proving to be the most committed private-enterpriser of the lot). In the 1984 election campaign Brian Mulroney had sought the political centre, one commentator arguing that he promised 'what amounts to Liberalism with a Fresh Face'.³³ But his party had strong support from the Canadian business community, which wanted action on tax reform, deficit reduction, and a general cutback in the government's direct involvement in the economy.

In power, the Tories did manage to reduce the growth rate of the deficit, but balancing the budget was a difficult political task. Mulroney's first administration emphasized closer attention to spending rather than major budget cuts—and the beginning of privatization, such as the selling of the assets of the Canada Development Investment Corporation (CDIC). Still, the government avoided open confrontation with the principle of universality of social insurance services and chose instead to concentrate on increasing revenue through greater economic prosperity. This ambition led Canada in what was ostensibly a major new direction, for the main vehicle for prosperity was to be a new economic relationship with Canada's largest trading partner, the United States. The eventual Free Trade Agreement (FTA)—negotiated in secret during 1986 and 1987—ran to 3,000 pages of legal language and would take years to work out in detail. Tariffs would gradually be removed, although Canadians would discover, to their surprise, that the disparity between what goods cost in American and Canadian shops was largely attributable not to tariffs but to economic differences between the two countries, including costs and market sizes. They were equally surprised to find that 'free trade' did not

apply to ordinary people shopping in the US and returning to Canada with their purchases. The most important part of the Free Trade Agreement was allegedly the elimination of discrimination on the basis of nationality.

The national debate over the deal produced much more heat than light.³⁴ Not even the economic experts could safely predict the ultimate effects of the treaty, although most favoured it in principle. Critics complained that the Canadian negotiators had traded access to the American market for Canadian resources (including energy) in return for continental economic integration. But most of that integration had already been achieved through previous arrangements, and only a small percentage of total Canadian–American trade was actually affected by the treaty. The strongest nationalist argument against the deal was that Canada would no longer have complete control of its own social policies, since many of them could be interpreted as unfair subsidies in breach of the national treatment rule, according to which a state must treat services and service suppliers of another state no less favourably than its own. Some critics warned that the Americans would not give Canada fair access to markets in industries (such as softwood lumber) where there was a strong US lobby. But the most telling criticism that could have been advanced against free trade was that it would not revolutionize Canadian–American economic relations, that, in fact, it was merely a cosmetic overhaul of the existing continental arrangement. In effect, a government seeking accomplishments suitable for an election campaign oversold the deal to the Canadian electorate.

The election of 1988 was held before ratification of either the Free Trade Agreement or the Meech Lake Accord, so the victorious Tories got only the benefits of the putative advantages in both cases. In its second term, the Mulroney government ran into many more problems than in its first. As we shall see, it failed miserably with Meech Lake, and its response to the recession at the end of the decade—an anti-inflationary pol-

ALLAN GOTLIEB ON THE FREE TRADE AGREEMENT

Allan Gotlieb was born in Winnipeg and educated at Oxford University. He served as Canadian ambassador to the United States between 1981 and 1988, keeping a private diary of these years. The diary was published in 2006. This is part of the entry for the final day of the free trade negotiations.

Our side cooled down in the early evening, and we met Baker and Yeutter [James Baker, Ronald Reagan's chief of staff, and Clayton Yeutter, US Trade Representative—the two chief American negotiators] again on the dispute settlement mechanism, only to have them completely reject our new proposal! I pressed Baker very hard. 'We can't do it,' he said. 'Congress would never agree to such a vague approach and any limits on its power.'

We adjourned and the Canadians caucused again. It was about 9 p.m. Those in the room were polled—Wilson, Carney, Burney, Gotlieb, and Hartt—and all agreed we could not go forward; the deal was off. The negotiations were over. Finished. Burney telephoned the prime minister in Toronto and Clark in cabinet. They accepted our conclusion that it was all over.

We then prepared to announce failure. Burney went back in to see Baker alone to convey the news that the grand game was terminated and that we had failed. Our decision seemed to come as a thunderbolt to Baker. He pulled back and asked to be given more time. Burney agreed. An hour later, with only a few hours to go, Baker came back to us

with a *volte-face*. He accepted our earlier proposal on dispute settlement. He had gotten the US side to agree to meet our fundamental requirements. Unbelievably, we had a deal.

We ironed out the remaining issues in a wild atmosphere, everyone running up and down corridors trying to keep up with the speed of developments. Baker kept popping into our caucus room saying, fifty minutes to go, forty to go, and so on down to the wire. The deal was done and completed at ten minutes before midnight. Baker then dispatched a messenger, and notice was received in Congress at a minute before the deadline.

If it were not for Baker, there would be no agreement.

Midnight

The Canadians came back to the Residence. We drank. And we drank. The mood was ecstatic. The night was cold, so we had the first fire of the year. Everyone praised everyone for two hours non-stop, and we toasted the prime minister for his leadership and his courage.

SOURCE: Allan Gotlieb, *The Washington Diaries, 1981-1989* (Toronto: McClelland & Stewart, 2006), 493.

icy (through the Bank of Canada) that raised interest rates and only increased the size of the deficit—reflected the monetarist thinking that had become the conventional wisdom in Ottawa.

Under Mulroney the federal government seemed to be bringing the runaway economy under control on all fronts except interest rates.

High interest rates also contributed to unemployment, which reduced income tax revenues and increased expenditures on unemployment insurance and welfare. One economist calculated that almost two-thirds of the 1992 deficit was caused by lost tax revenues from unemployment and increased costs for social assistance; the rest

was the result of high interest payments to creditors.³⁵ Another team of economists at the University of Toronto who examined the reasons for the recession of 1989–92 concluded that the principal cause was the Bank of Canada's anti-inflation policy.³⁶ Certainly the obsession with inflation rather than poverty or unemployment benefited creditors more than debtors. In the Canadian context, it also benefited foreign investors, who profited from an artificially favourable exchange rate created by anti-inflationary policy.³⁷ Nevertheless, many Canadians remained convinced that the welfare state rather than monetary policy was the cause of the huge budget deficits, and the government's monetary policy seldom came under real public attack.

On the other hand, the Mulroney government did run up against public opposition over tax reform. Characteristically, the Tories focused on the business taxation system rather than the structure of the personal income tax system. They decided to replace lost tariffs and other existing levies with a single across-the-board value-added tax (called the Goods and Services Tax, or GST) of 9 per cent imposed at the cash register. Not surprisingly, the provinces refused to eliminate their sales taxes in favour of the new federal levy, which would be paid by consumers and administered by the business people who, despite the additional paperwork involved, were virtually the only supporters of the scheme. Finance Minister Michael Wilson responded to business pressure by reluctantly agreeing to reduce the amount of the tax from 9 to 7 per cent, but neither he nor the government was really prepared for the extent of the public opposition that emerged as the date for implementation came closer and the need to pass the necessary legislation became urgent. As with policies such as Meech Lake and free trade, the Mulroney government had allowed a long lead time between announcement of the policy and its ultimate implementation. The purpose of the delay was to allow the government to make minor concessions (such as the reduction in the rate charged)

and disarm the opposition. As Meech Lake had demonstrated, not until the deadline for ratification was approaching did opposition really crystallize, and then the government was in serious trouble.

The Mulroney government assumed that its overwhelming majority in the Commons would ensure passage of the GST, whatever the public or the Liberal-controlled Senate thought. Michael Wilson's department began instructing businessmen on the intricacies of the tax and its collection before the requisite legislation had received final parliamentary approval. The Liberal majority in the Senate dug in its heels, encouraged by public opinion polls indicating that a vast majority of Canadians were dead set against the GST. With the threat of deadlock looming between the two houses of Parliament, in late September 1990 the Tories used the power that governing parties have always held over the upper houses in a parliamentary system: they appointed eight new Tory senators, giving their party a majority in both houses. This action was in broad terms constitutional, but it may not have been politically wise. Inevitably, the government was charged with 'arrogance', and the bill was clearly so unpopular that no one could seriously accuse senators who opposed it of 'thwarting the will of the people'. By 1991 it was clear that the Mulroney government had lost virtually all of its popular support. Less clear was whether the change in public attitudes had anything to do with the Tories' private enterprise philosophy or was merely a product of some ill-advised tactics. In general, prime ministers create governments that in some mysterious ways reflect their own personalities. Among the characteristics that Mulroney shared with his government were tendencies towards secrecy, manipulation, and heavy-handedness.

DÉTENTE

By the early 1980s Canada's relations outside North America had a very low profile apart from

the perennial concern over trade figures and the occasional international conference attended by the Prime Minister. Canadian diplomats quietly participated in various international meetings devoted to further freeing up of trade, especially in the context of the General Agreement on Tariffs and Trade (GATT), first signed by Canada at its inception in 1947. In 1976 Canada joined the Group of Six leading industrial nations a year after the inception of this summit group, making it the G-7, that met in periodic summits to discuss world economic problems, hosting its first summit in Ottawa–Montebello in 1981.³⁸ Some attempt was made to gain political mileage from Prime Minister Trudeau's international stature, particularly in comparison with Joe Clark's lack of it, but while Trudeau always performed well at international events, his heart was seldom in them. Canadians seemed to understand that Canada was not a major world player and to expect very little from foreign policy initiatives. The military gave rise to a joke ('How did Canada deal with the needs of a two-ocean navy and only one aircraft carrier?' 'It scrapped the aircraft carrier.') but was otherwise largely forgotten. After 1988, of course, the Free Trade Agreement made it clear that Canada was more closely bound to the Americans than ever before.

The key events of the 1980s were international. The first was 'glasnost', the process of liberation from repressive communism in the Soviet Union, associated with Mikhail Gorbachev. The Soviet regime had been gradually opening up for decades. Détente between the USSR and the US had been achieved in the early 1970s, but no one was prepared for the speed with which, in the later 1980s, the USSR and its satellites in Eastern Europe began to move in what could only be described as capitalistic and democratic directions. The most obvious symbol was the razing of the Berlin Wall, in November 1989, when the fall of the East German government cleared the way for German reunification in late 1990. It was perhaps still too soon to celebrate the death of communism, but the changes in Germany symbol-

ized a new European order. The Warsaw Pact disintegrated, and Canada's main formal link with Europe—NATO—underwent a rapid transformation as it ceased to focus on defence against the Soviet bloc. Canada signalled the abandonment of its bases in Germany in the 1992 budget, and by 1993 the Allies had pulled most of their troops out of Berlin, ending the occupation that was virtually the last remnant of the Cold War in Germany. Soon the European Community was besieged with applications from former Soviet client states.

A reduction of tensions in Europe did not necessarily mean that the world had been saved for democracy, however. As if to demonstrate the fragility of international peace, in the summer of 1990 the Iraqi army invaded Kuwait, one of the small oil-rich principalities on the Persian Gulf. The world witnessed not only a *coup d'état* in terms of the occupation itself, but the unusual spectacle of American–Russian co-operation against Saddam Hussein. With Russian approval, President George H.W. Bush sent American forces to the Gulf with the object of preventing the Iraqis from taking over more oil states and, eventually, forcing them out of Kuwait by military means. Canada contributed three ancient destroyers to the international force assembling in the Gulf—another 'three tokens'—although in fairness, the vessels were the best the Canadian forces could muster.³⁹ The Iraqi takeover of Kuwait caused the price of oil to increase almost instantly from \$20 a barrel—a stable price in the 1980s—to \$35.

CONCLUSION

Between 1972 and the early 1990s the old liberal consensus had plainly collapsed, along with its Keynesian economic rationale. Now free-market monetarism prevailed, accompanied by a private enterprise mentality. The monetary policy used to address the recession of 1989–92 greatly increased the deficit, which many Canadians still wrongly blamed on the social insurance pro-

grams put in place before 1972. At the same time Canada had moved to continental free trade, an action that in itself was not critical but could

become so if the FTA became part of a larger pattern of global integration, and in significant ways became a lesser player in global affairs.

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STUDY QUESTIONS

1. Why did public trust in the nation's political leaders decrease after 1970?
2. What does the legalization of lotteries tell us about Canada after 1970?
3. Why was the oil crisis so important?
4. Why was Pierre Trudeau such a controversial figure in Canadian politics?
5. Why did the personal popularity of Ed Broadbent not translate into more votes for the NDP?
6. What were the key ingredients of the economic crisis of the 1970s?
7. What does Allan Gotlieb's account of the last day of negotiations over the FTA tell us about those negotiations?
8. What accounts for the furor over the GST?
9. Why did public opinion turn against Brian Mulroney?

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