2000

The Policy Influence of Economic Ideas: Interests, Institutions and Innovation in Canada

Neil Bradford

Restructuring and Resistance

Canadian Public Policy in an Age of Global Capitalism

edited by Mike Burke, Colin Mooers and John Shields

Fernwood Publishing • Halifax, Nova Scotia

Editing: Brenda Conroy
Cover design: Lewis Nicholson
Design and production: Beverley Rach
Printed and bound in Canada by Hignell Printing Limited

A publication of:
Fernwood Publishing
Box 9409, Station A
Halifax, Nova Scotia
B3K 5S3

Fernwood Publishing Company Limited gratefully acknowledges the financial support of the Ministry of Canadian Heritage and the Canada Council for the Arts for our publishing program.

Canadian Cataloguing in Publication Data

Restructuring and resistance

Includes bibliographical references.
ISBN 1-55266-026-5

1. Canada -- Economic policy -- 1991- 2. Canada -- Social policy. 3. Political planning -- Canada. I. Burke, Mike, 1951- II. Shields, John, 1954- III. Mooers, Colin Peter, 1954-

HC79.C3R47 2000 338.971 C00-950042-1

CONTENTS

Chapter 2

The Policy Influence of Economic Ideas

Interests, Institutions and Innovation in Canada[1]

Neil Bradford

Introduction

Recently considerable attention has been devoted to analyzing the role of economic ideas in political life and public policy. Much of this interest can be traced to efforts to make sense of the fundamental shifts that have occurred in the last decade or so in the governing agenda of almost all capitalist democracies. The collapse of the Keynesian compromise renewed basic conflict and debate over the role of the state in the economy and appropriate public policy goals and instruments. Facing such uncertainty, a wide range of policy actors has sought new frameworks to interpret changing conditions and guide strategic action. At these moments of breakdown there is good reason to claim, as Keynes himself certainly did, that ideas acquire extraordinary power in reorienting the course of public policy (Keynes 1936: 383). But which economic ideas really matter and how do they become influential? Why do some ideas catch on rapidly while others of comparable intellectual worth languish at the margins of official discussion or even fail to gain a serious hearing by decision-makers?

These are the questions to which this chapter is addressed. Its empirical case is that of successive Canadian federal development strategies, often labeled national policies, from the Great Depression to the present day[2] Two separate decades of economic crisis and popular discontent are examined in order to shed light on the dynamics of large-scale policy change: the years from 1935 to 1945, which witnessed the Keynesian "revolution," and the years between 1985 and 1995, which saw an equally sweeping neoliberal "restoration." Federal politics in each period was marked by intensive struggle between two alternative economic policy visions. In the 1930s, a social and a technocratic version of Keynesian employment ideas competed for influence. In the 1980s, two post-Keynesian supply-side projects, neoliberalism and progressive competitiveness, jockeyed for position in various arenas of federal policy formation. This chapter analyzes the victory of technocratic Keynesian ideas in the first critical juncture and of neoliberalism in the second.

Accounting for this outcome, we argue, requires an understanding of how the "political power of economic ideas" is mediated in capitalist democracies (Hall 1989). New ideas are a *necessary* condition for launching policy innovation, but they are not *sufficient* in consolidating change. The policy influence of ideas does not rest only on their innate intellectual qualities. Rather, new ideas to progress must "work on" interests to realign the policy goals of collective actors, and they must "work through" organizations to transform policy-making routines and state capacities. On this basis, we conceptualize the mediation of ideas at two distinct, if interrelated, analytical levels. First, structural-economic relations rooted in the dynamics of capitalism and its power relations can be seen to set boundaries on the range of "legitimate" ideas that will be considered as serious alternatives for action by state decision-makers. Second, the institutional-political arrangements of representative democracy can be said to channel the competition among such legitimate contenders toward specific outcomes in the form of a new governing discourse.

Mapping the flow of new ideas through political institutions bounded by economic structures allows us to explain why and how certain ideas prevail over others at critical junctures of strategic policy choice in a country's development. In the Canadian case, the structures and institutions of the political economy have worked to facilitate the progress of what can be called *framework* economic policy ideas—that is, ideas that celebrate market efficiency, corporate autonomy and the "arm's length" technocratic expertise of the state. Technocratic Keynesianism and neoliberalism, we propose, are just such ideas. The same factors empowering framework ideas have also ensured that socialist notions of state planning and public ownership have never progressed to the point of becoming viable policy contenders. In between the two options of market autonomy and state planning, a third set of ideas, properly termed *partnership* economic ideas, has acquired sufficient legitimacy to be attempted by federal governments in both the 1930s and the 1980s. Rather than deferring to neoclassical efficiency or technocratic discretion, these economic ideas require for their implementation socio-political leadership in the channels of democratic representation, specifically to induce business into some form of institutionalized dialogue with the state or labour over matters of investment strategy and workplace organization. Partnership economic ideas progress through political orchestration of trade-offs among different interests and bureaucratic experimentation with novel instruments of state intervention. We suggest that these are defining characteristics of social Keynesianism and progressive-competitiveness economic ideas. In Canada, such projects have invariably ended as failed experiments.

Our historical analysis of change processes at two critical junctures, separated by four decades, clarifies another key theme about the influence of new ideas: innovative dynamics in large-scale policy change exhibit significant path dependence. New economic ideas once institutionalized in the state and polity channel policy thought and collective action down particular tracks, rendering certain policy visions more feasible than others at subsequent moments of strategic choice (Weir 1992: 19). Such path dependence has manifested itself in

two ways. The triumph of technocratic Keynesianism at the twentieth century's first critical juncture made it very likely that neoliberalism would overwhelm progressive competitiveness in the second. And the same "switchpoint mechanism," royal commissions on the economy, functioned in both eras to link new ideas to official policy practice.

Yet, embedded ideas and institutions are not unalterable legacies. They are themselves political artifacts subject to reconstruction to facilitate the advance of new and different policy projects. Moreover, economic structures such as those underpinning Canada's contemporary neoliberalism generate their own instabilities, creating opportunities for action. The chapter closes with a discussion of possibilities for progressive change, suggesting democratic reforms to the institutions of Canadian policy-making that might allow a better fit between left economic ideas, political representation and public administration.

Ideas in Structural and Institutional Context

Much recent work in comparative and international political economy has been concerned to explain policy innovation and institutional reform.[3] An influential line of argument focuses on the creative role of economic ideas in launching change and shaping outcomes. The logic of this position is clear enough. Moments of economic crisis and policy failure are viewed as critical junctures in a country's history when consensus collapses, interests become uncertain, and there is considerable openness about future directions. In such turbulence, assumptions about the ability of collective actors to maximize in a straightforward fashion their self-interests within given constraints become at best problematic and more likely a barrier to understanding change processes. Crisis conditions, the argument runs, render both interest and constraint highly ambiguous, greatly complicating strategic collective action. In addition, the state's capacity to respond efficiently to radically altered conditions cannot be taken for granted as could plausibly be assumed in normal times (Goldstein 1989: 32). At critical junctures, interpretive questions about how state and societal actors make sense of external circumstances and conceive, or more to the point, reconceive, their interests and formulate action plans become especially important. Accordingly, the analytical focus shifts to the realm of thought and ideas.

Peter A. Hall has expressed the main thrust of this argument most cogently. He proposes that "when ideas are introduced into the political arena ... they do not simply rest on top of other factors already there ... they can alter the composition of other elements in the political sphere, like a catalyst or binding agent that allows existing ingredients to combine in new ways" (1989: 367). On this foundation, other scholars have offered further conceptual elaboration of the "idealist" position. Seeking to make the general claim about the power of ideas more specific and amenable to empirical study, Judith Goldstein and Robert Keohane have identified three "causal pathways" that ideas can follow to political and policy influence (1993: 11–26). As "road maps" showing the way beyond crisis, new ideas can provide for actors either broad moral visions that enable decisive action despite uncertainty or more narrow technical interpretations clarifying causal relationships and likely consequences of decisions. As "focal points and glue" for social coalitions, new ideas become the necessary currency for policy entrepreneurs to negotiate political realignments. Finally, as "institutionalized discourses," new ideas supply the operational language and organizational framework for state officials in implementing public policy.

These writers have opened consideration of how ideas are necessary to explain what Hall has termed "third order change" involving shifts in each of the goals, instruments and settings of public policy (1993: 283–87). Such fundamental breaks, as distinct from incremental adjustments, can be expected to involve political realignment, societal conflict and administrative upheaval. About such ruptures, this literature makes two important advances on earlier approaches to continuity and change (Steinmo et al. 1992, chapter 1 especially). First, it conceptualizes history as characterized by longish periods of relative stability punctuated by crises that become "branching points" from which development may move onto a new path. Crises become the object of intensive case study as decisive episodes when political allegiances become decidedly fluid and policy outcomes highly contingent. Second, the emphasis on historical openness and variation tempers the explanatory excesses of various functionalist traditions that revealed much more about constraint and continuity than change, due in large part to the rather heroic assumptions such literatures made about invariant, pre-given, material interests or cultural values or organizational capacities. Large-scale policy shifts do occur, albeit infrequently, and the idealist writers have convincingly shown that such shifts are neither the result of an efficient statist processing of stable preferences or legacies nor an equally straightforward societal imposition of an agenda by powerful interests.

However, our aim is to grasp the constraints on, as well as the possibilities for, significant public policy change and further to explain why only certain ideas really matter. More systematic attention must be paid to the relationship between ideas and the political-economic setting in which they are introduced to develop fully the explanatory potential contained in the notion of causal pathways for new ideas introduced by Keohane and Goldstein.[4] We can accept that ideas create meaning for collective actors and that they are necessary to clarify the purposes and instruments of public action. Further, it is evident that at times of economic crisis and profound policy failure there will be strong demand for new conceptual road maps. However, it is equally clear that in such exceptional circumstances a range of ideas will make authoritative claims about desirable futures. The critical questions thus become which contender prevails, why and how? In other words, settling the question of when new ideas matter brings into focus more challenging problems about subsequent processes and outcomes. Many new ideas have the potential, as Hall puts it, to "allow existing ingredients to combine in new ways." Yet, they all are processed through institutional-

political arrangements with "mobilization biases" that evolve particular leadership styles and organizational capacities, and they all bump up against economic-structural relations that privilege certain interests and claims. It is the interplay among these factors that drives innovation at critical junctures.

Structural-economic factors are rooted in capitalist production relations and accumulation dynamics. Private property and control over the investment process, and state revenue dependence on capital, impose significant boundaries, albeit of a broad and general nature, on democratic politics and policy-making. The logic of the "capitalist constraint" is such that it eliminates from consideration policy ideas that threaten directly the prerogatives of business, or put differently, fail to offer sufficient material incentives for business or certain elements of the business community to compromise or cooperate. From this perspective, analysts of policy innovation and the role of economic ideas must still attend to the interests of capitalism's most powerful collective actor, business. Relying on systemic power in the capitalist accumulation process and extraordinary resources in democratic politics, business, more than any other social interest, is well-positioned to force compromises on other actors in the translation of new economic ideas into policy practice.[5]

The general policy interests of business are defined in relation to structural variables such as patterns of international competition and the introduction of new technologies or modes of work organization. Specific orientations will be shaped by the sectoral profile, ownership structure, export dependence and so forth that characterize the national economy. In their particulars, then, these interests are variable over time and across space. Indeed, the constraint from capital is sufficiently permissive to allow a fairly wide range of public policy outcomes. The many studies of cross-national variation in the nature and form of the postwar Keynesian compromise illustrate the point (Gourevitch 1986). Business interests set parameters on the range of economic policy ideas that can enter the field of discursive struggle. The actual course of policy is set by the "field conditions" that organize the competition among collective actors carrying forward new ideas. While such conditions in capitalist democracies grant a privileged place for business, the expression of such privilege is framed by institutional-political factors specific to historical periods and national contexts.

Institutional-political factors are the formal rules and informal practices of representative democracy and policy formation. The organizational links between state and society affect both the production of policy ideas and the prospects or capacities for implementation. Relevant at this level are the electoral system, the constitutional division of state authority, the channels of representation for societal interests and access points for external experts (Weir 1992: 19–25). Equally significant for the kinds of ideas that will be implemented is the organization of the state itself—its consultative routines, inter-bureaucratic division of labour and planning systems (Guenther 1986: 149–73). Such institutional-political configurations evolve country-specific styles of policy leadership, party competition, idea generation and interest mobilization (Bradford 1998a: 131–57). Historical institutionalist writers such as Sven Steinmo and Margaret Weir have highlighted the "dead weight" of the political system's formal constitutional and electoral rules in limiting policy choice and forcing action along certain lines (Steinmo 1993). From this perspective, institutions facilitate (or inhibit) particular forms of interest organization and collective action: corporatism, for example, recognizes some interests and delegates executive authority to them, encouraging formation of cohesive organizations and their joint policy-making capacity. As our case studies describe below, Canada's system of brokerage party politics and business-dominated interest pluralism has evolved in the context of an electoral system and federal division of powers that fragments societal interests, inhibits formal negotiation of cross-class trade-offs, and limits the incentives for governing parties to lead economic policy innovation.

At this point it is necessary to be clear about what we mean by ideas. For our purposes, the concept of the policy paradigm usefully illuminates those discourses and concepts that cohere to define problems, articulate goals and specify the instruments or techniques necessary for implementation of solutions (Hall 1993: 275–96; Jenson 1989a: 235–58). Economic policy paradigms contain fundamental judgements about whether the economy is prone to market failures, implying an active role for government, or conversely that government intervention is destined to make worse any alleged market shortcomings. As such, they integrate "philosophical" matters about the legitimate role of the state in the economy, and "technical" concerns about causal relationships among objectives and the likely effectiveness of potential instruments (Weir 1992: 169).

Of course, in any policy field there may be conflict among different paradigms, or there may be a single paradigm that dominates discourse and practice. A policy paradigm can be said to be "governing" when its particular public philosophy and technical model underpins and sustains a consensus on the role of the state and policy goals in two key contexts: expert ideas and socio-political interests. In the former, policy intellectuals coalesce behind certain theoretical suppositions and channel resources to extend their empirical applications and policy relevance. Disciplinary "mainstreams" evolve socialization processes for scholarly recruitment and incentives for professional advancement that reinforce the paradigm. In the case of the political system, a similar dynamic can be observed as the influence of a policy paradigm spreads across institutional settings. Parties invent symbols and rhetoric appropriate to the paradigm's definition of the public interest and the government's legitimate role. Societal actors make peace with the paradigm, some on terms to their own liking, others coming only reluctantly to an accommodation. Civil servants develop new data sets, operating procedures and administrative capacities to implement programs consistent with the paradigm. And international financial markets incorporate new criteria for judging the performance of domestic governments.

Governing paradigms thus are embedded at critical junctures of strategic policy choice in a country's history. At these turning points, intellectual debate and political conflict are especially intense. Research communities revisit first principles and causal theories. Partisan alignments and social alliances come apart. The struggle is underway for policy ideas reconnecting politics and administration. When a specific set of ideas achieves the status of a governing paradigm, the thought and behaviour of key policy actors is realigned. Controversy may persist but it will be confined to debating the particulars of putting into practice widely accepted goals. Policy adjustments are incremental and political conflict is bounded by larger agreement.

The distinctive packages of economic and social ideas that have informed the federal government's development strategies, or successive national policies, correspond well with the concept of the governing paradigm. That is, these large-scale policy projects have expressed broad moral visions or public philosophies about proper forms of state-economy relations, and appropriate roles and responsibilities among orders of government and between public and private sectors in policy implementation. At the same time, they have worked programmatically and technically to integrate state activities across formally distinct fields ranging from macroeconomic to social-welfare and labour-market policies. Further, substantive changes within the national-policy tradition have followed acute periods of economic breakdown, such as the Great Depression of the 1930s or the protracted turbulence of the 1970s and 1980s. Each period provided the context for making durable shifts in the policy paradigm governing the Canadian economy and society.

A perspective on the power of ideas that integrates structural and institutional factors can shed new light on critical junctures when governing paradigms are created. Combining levels of analysis enables study of both innovation processes and policy outcomes. Two basic questions guide empirical inquiry: Where are the policy road maps drafted that become the focal points for political coalitions and the operating procedures for reorganization of the state's routines? What accounts for the particular directions mapped in such sites through interpretive struggle? In these terms, the problem of explaining policy innovation is framed differently from the "historical institutionalists" who thus far have been most engaged by the question of the impact of new ideas. In their explanations, they concentrate almost exclusively on how institutional factors affect the flow of new ideas. Consequently, economic-structural factors remain much more "passive context" than active agents integral to the full story of outcomes. Economic factors, for example, an international crisis, are typically seen to trigger the national innovation process, but then recede into the background to the point where only institutional variation determines policy patterns across countries (Pontusson 1995).

Against this effective bifurcation of explanatory variables, this chapter seeks to capture the dynamic connections among ideas, institutions and structures.

Indeed, the case studies below suggest important differences in how institutions and interests mediate the influence of new ideas. Institutional analysis of the workings of representative democracy reveals much about *how* new ideas are translated into governing frameworks These are issues of "process and form." Structural analysis of changing interests, however, speaks to issues of substance, that is, it reveals *what* ideas constitute the "outcome and content" of the inter-paradigm struggle played out in institutional settings. Institutional and structural analyses, thus, address analytically distinct issues of policy process and substance; a robust explanation of innovation must address both and their interdependence. The next two sections of this chapter apply this integrative framework to critical junctures in twentieth-century Canada.

Postwar Canada's Governing Paradigms (1): Technocratic Keynesianism in the 1930s and 1940s

Two competing policy paradigms

There were two main policy paradigms competing in Canada in the 1930s and 1940s to replace the discredited classical federal policy orthodoxy known as "sound finance and responsible government" (Neatby 1969: 84–115). Each paradigm owed much to Keynes's theoretical critique of the self-regulating economy and *laissez-faire* state. However, beyond the shared departure point, significant differences emerged between social Keynesianism and technocratic Keynesianism, including divergent accounts of the causes of the Great Depression and of needed reforms. Each policy paradigm attracted its own supportive network of policy intellectuals and political organizations (Owram1986; Ferguson 1993).

Canadian social Keynesianism refers broadly to the ideas generated by a popular movement joining socialist workers and intellectuals, progressive reformers and agrarian populists. This paradigm acquired structure and visibility through the Cooperative Commonwealth Federation and the League for Social Reconstruction, as well as in presentations from researchers, trade unionists, and other popular groups to various public policy inquiries and commissions in the 1930s. Initially, this movement was resolutely socialist, calling for the immediate replacement of capitalism by public ownership and central planning. Within a few years, however, these activists moderated their message, seeking influence through incorporation of the Keynesian full-employment strategy to a more reformist critique of the performance of Canadian capitalism and liberalism. The result was a Canadian version of what came to be known as social Keynesianism, implying institutional change to provide full employment and universal social security.[6]

For social Keynesians the distress caused by mass unemployment demanded direct and sustained public intervention in the economy. The depth and breadth of the Great Depression signaled not simply a pronounced bust in the capitalist cycle but the near collapse of the system itself. Accordingly, regulations for

investment and labour-market planning, and expenditures for public works were the fundamental tools required to solve the market's far-reaching failures. They would provide the foundation for progressive wealth redistribution through universal public provision of social services and income support. While implementation of this paradigm did not imply the replacement of capitalism, it still required substantial overhaul of existing state structures to concentrate economic policy authority. Centralized fiscal capacity and invention of new policy instruments for capital formation and labour market planning were needed to coordinate social production and resource allocation. It also presumed determined federal political leadership capable of mobilizing a reformist coalition to overcome resistance from industrial and financial interests, and from provincial premiers. In each of these realms there were loud voices still defending the principles of sound finance and responsible government (Struthers 1983).

Throughout the Great Depression, this policy paradigm organized the thought and strategy of left parties, social movements and intellectual formations. In at least a few countries in the 1930s, most famously Sweden and to an extent the United States, something approximating this paradigm became a governing framework in strategic social deals among business, labour and farmer groups. Such alliances were arranged through partisan political leadership, generating, in turn, policy mandates confirmed in "realigning elections" that carried the new ideas to voters at the height of the crisis (Gourevitch 1986: 124–66).

In the Canadian setting, however, this paradigm faced a formidable opponent in the form of technocratic Keynesianism (Bryce 1986; Innis 1940: 562–71), which did not view capitalism as fundamentally flawed, much less unethical in its organizing principles or practices. Rather, the Great Depression revealed Canada's special problems of cyclical instability rooted in the uncertainties attending investment and employment in the economic-structural context of a staples exporting economy. Most obviously, shifting international demand for natural resources increased greatly the risks of irrational investment, either excessive or inadequate, in particular commodities and transportation infrastructure. As such, judgements about the future were extraordinarily complex and contingent, making the question of "investor confidence" always problematic. On this basis, the principal public policy task was to stabilize the environment for private investment through vastly improved information, surveys and forecasts. Such expert knowledge could provide direction and reassurance to business, while enabling governments to determine when to "prime the pump" through its own expenditures to sustain a private-sector recovery. Instead of reform of capitalism or federalism, the technocratic Keynesians argued that equilibrium could be restored through greatly improved data collection about the economy's overall behaviour and timely dissemination of information about the future to private- and public-sector decision-makers.[7]

In all essentials, technocratic Keynesianism was a bureaucratic rather than

political project. The paradigm was not conceived in relation to the strategic or organizational goals of political parties or social interests. Its potential influence depended less on cross-class political alliances or partisan mobilization and more on administrative leadership in renovating the bureaucracy's analytical capacity to compensate for the private economy's instability. Such leadership translated into recruitment of new technical and statistical expertise to manage information exchanges with the private sector on investment intentions, and reconceptualization of the government's annual budget statement away from a mere accounting exercise to an instrument for stabilizing aggregate economic flows. The development and advance of technocratic Keynesianism could occur in statist advisory settings that provided "neutral" experts with opportunities to perform a range of public policy functions: reassuring an anxious public about the benefits of their doctrinal breakthroughs; enlightening societal actors uncertain of their interests about the shared gains from supporting a scientific policy approach to recovery; and packaging for increasingly desperate governing politicians the discourse and concepts in a paradigm suited to their partisan goals and electoral strategies (Bradford 1998a: 158–65).

Defeating social Keynesianism

Between these two idea systems, of course, technocratic Keynesianism prevailed in the 1930s and 1940s to become Canada's postwar governing paradigm. From 1935 to 1940, social Keynesianism suffered three successive defeats in the channels of political representation, and subsequent developments in the wartime bureaucracy and postwar planning reinforced these setbacks.

The first and certainly most spectacular repudiation of policy ideas informed by social Keynesianism came in the unlikely form of the Conservative New Deal of 1934–35. Without any apparent attention to the political or administrative implications of his ideas, Prime Minister Bennett "dropped from the sky" an ambitious package of reforms that envisioned an expanded role for the federal government in regulating the market economy, accompanied by hot rhetoric about the possible end of capitalism. However, this package emerged in a political-administrative vacuum. Politically, Bennett cultivated no supportive alliance of societal actors, either through behind-the-scenes negotiation to reassure business interests or through a public strategy seeking an electoral mandate from the citizenry and potentially supportive popular movements to push implementation.

In proposing his New Deal, the Prime Minister had apparently been inspired by President Roosevelt, but the borrowing certainly did not extend to strategy: unlike his American counterpart, Bennett did not use the subsequent election to rally and confirm support for full implementation of the new ideas. On the contrary, the Prime Minister presided over the fracturing of his own party and its electoral base in the business community. The New Deal was disowned by the Prime Minister before the 1935 election. Administratively, the

prospects for durable change were equally compromised by the flawed political process. In the wake of the Prime Minister's announcements, no bureaucratic structure was in place to manage the proposed regulatory interventions and institutional reorganizations. As well, no process was underway to arrange the necessary intergovernmental support to overcome jurisdictional obstacles and ward off constitutional challenge (Wilbur 1968).

In the event, the fate of the New Deal's economic ideas was sealed during the 1935 election when the ascendant Liberals avoided substantive discussion of the reforms, promising only to refer the package to the courts where it was certain to receive a negative hearing (Simeon and Robinson 1990: 81–82). Canada's "Depression election," in marked contrast to those taking place at the same time in various other countries, dealt a further blow to the social Keynesian paradigm. There was no discussion among the major party contenders, as there was in the United States, of new political strategies to overcome resistance to needed policy reforms from the "economic royalists" or the conservative judges. For their part, protest parties, far more committed to the paradigm than either of Canada's governing parties, were penalized by both the single-member-plurality electoral system and the inability of the country's fragmented interest-group system to mobilize supportive coalitions. No coherent "demand stimulus alliance" of workers, farmers and manufacturing interests ever coalesced behind social Keynesianism. A 25 percent share of the popular vote nationally for parties variously protesting the orthodoxy of sound finance and responsible government translated into a marginal parliamentary presence and no formal role or influence for any of them in policy-making (Brodie and Jenson 1988: 170–82).

Indeed, the arrival in power of a majority Liberal government set the stage for the third and final defeat of the social Keynesian paradigm in the 1930s. Following their evasive campaign and a failed intergovernmental conference, the Liberals, with the vocal support of key business spokespersons, announced another policy referral, this time not to the courts but to commissions of inquiry. Both business leaders and technocratic policy intellectuals applauded the King government's commission referral because they believed it promised a more rational route beyond the Depression than that followed in the United States, where those responsible for the New Deal, in the words of W.A. Mackintosh, had been preoccupied more with "vilifying its enemies" than solving problems (Mackintosh 1948: 15–16). The National Employment Commission and the Royal Commission on Dominion-Provincial Relations became the critical sites of inter-paradigm debate or more accurately of the consolidation of technocratic Keynesianism. By deliberate design of the senior civil servants mandated to oversee the process, these commissions were dominated in their composition, deliberations, research and recommendations by technocratic Keynesianism. Social Keynesianism was judged neither relevant nor feasible in the Canadian case. Mackintosh, one of the architects of these reports, later recalled how proposals for aggressive public spending from Alvin Hansen, the prominent American social Keynesian who was acting as an advisor to the Saskatchewan government, were dismissed out of hand by the commission's experts as not applicable to Canadian conditions (Mackintosh 1959: 54–55).

Together, these commissions produced full-blown statements of the technocratic Keynesian paradigm. It emphasized policies of pump priming, not investment control, and actuarially sound, contributory social insurance programs, not labour-market planning. Claims were made about the discovery of a new middle ground between the political "extremes" of decentralized, *laissez-faire* policy and centralized, socialist planning (Kierstead 1940: 1–7). Indeed, the commission process did clarify areas of common interest among business, labour, farmers and a majority of provinces for federal economic management and mild social and regional income redistribution.[8] Most importantly, the commissions mobilized a network of policy intellectuals to take their case for technocratic reform to the government. The governing Liberals privately welcomed a policy paradigm that promised some measure of policy innovation with limited expenditure of political capital and therefore partisan risk (Pickersgill 1960: 161). Following yet another stalemated intergovernmental conference in 1941, the Cabinet willingly ceded leadership in embedding the paradigm to the bureaucrats who began to devise a longer-range plan for incremental implementation of the macroeconomic paradigm and associated welfare programs.

The defeat of social Keynesianism in the institutions of political representation in the 1930s and the related bureaucratic offensive by technocratic Keynesian experts were patterns extended in wartime. Here, industrial planning was the domain of a business-dominated partnership with state officials that excluded trade-union input and was always premised on a rapid return to market relations when the war ended (Coleman and Nossal 1991: 47–73). No planning legacies would be available in peacetime to support implementation of social Keynesianism. Further, the one social Keynesian expression in the postwar planning process, Leonard Marsh's social security report, was quickly marginalized by a technocratic Keynesian alternative put together by policy officials who had moved from the commissions of the 1930s into key positions in the economic departments (Young 1981: 596–611). Pressured by a shifting partisan context and continued bureaucratic prodding, the King cabinet extended the technocratic grant of policy authority to include preparing a new postwar agenda for both the party and state. In drafting the government's flagship statement of postwar policy, Mackintosh warned against all "impractical and illusory schemes for which there was neither the know-how nor a demonstrated need" (Mackintosh 1965:19). As such, the counter-cyclical policy instruments preferred were not public spending, but rather corporate tax cuts and automatic stabilizers such as unemployment insurance that compensated for market fluctuations in a fashion limiting government discretion or deliberate action.

After the war, the technocratic Keynesian paradigm was further developed through introduction of sophisticated economic models and forecasting tech-

niques that unified the thought and practice of the federal economic departments and the Bank of Canada (Firestone 1948: 5–12; Brown 1959: 27). When the 1945–46 intergovernmental conference on postwar planning extended the inter-war and wartime pattern of political stalemate, a degree of federal policy momentum was sustained through official-level negotiation of cost-sharing arrangements for piecemeal introduction of discrete social programs, framed by the overarching federal commitment to demand management (Burns 1980; Cairns 1988).

Canada's postwar governing paradigm emerged through technocratic idea generation and bureaucratic ratification of an informal cross-class and intergovernmental accommodation, the terms of which were elaborated by royal commissions of inquiry. Business and labour interests, like politicians, were not policy innovators or sources of new national economic ideas. Business remained content to defer to the technocratic experts, and labour lacked the organizational capacity at the national level, not to mention political connections, to frame debates or carry forward a coherent alternative. As such, both groups mostly reacted to the concepts introduced by technocrats and accepted bureaucratic judgement about feasible options. While business input proved integral to the operational logic of postwar technocratic Keynesianism, labour organizations effectively conceded influence on the governing paradigm and concentrated on making gains through the collective bargaining arrangements that had been part of the overall accommodation (Smith 1992: 35–60; Yates 1993, chapters 4–5).

One consequence of this form of political settlement was the limited incentive for either employers or trade unions to reorganize themselves to assume an ongoing role in design and delivery of federal economic and social policy. Business was satisfied with the personalized, *ad hoc* style of consultation. The embedded paradigm conformed to its general interest in limited state intervention especially as regards capitalist prerogatives in matters of production and work organization. For their part, unions were not pushed to overcome the complicated ethnic, regional, sectoral and international divisions that prevented organization of a cohesive national policy voice. Hence, business and labour each adapted to the role of pressure group and lobbyist, albeit with very different forms of bureaucratic access and cabinet representation. Accordingly, in the postwar period they became "policy takers" in the strong sense of the term, eschewing any direct participation or responsibility in policy-making.

As numerous commentators have observed, technocratic Keynesianism in the two decades following the war was fitfully, even inconsistently, practiced.[9] In part, the performance mirrors the modest aims of the paradigm's technocratic managers who sought only to fine-tune a mostly booming economy through tax cuts, investment incentives and automatic stabilizers. As well, these were the preferred tools of the business interests incorporated into the implementation process. The practice was also constrained by the realities of regionalism and

continentalism, which by the mid-1950s exposed gaps and weaknesses in the demand-management employment strategy. The first protracted recession of the postwar period in the late 1950s and early 1960s triggered considerable policy confusion and some experimentation with supply-side measures. In the 1960s, as the economy rebounded, technocratic Keynesianism was revived in two respects. In policy terms, programmatic initiatives in health, welfare and pensions considerably expanded the scope of the economy's automatic stabilizers (Haddow 1993). At the same time, the policy model's faith in organized expertise was also extended through introduction of new planning systems, advisory bodies, coordinating ministries and central agencies.

Interlude between governing paradigms: ad hocery in the 1970s

In the early 1970s, the governing paradigm entered into crisis as economic conditions suddenly changed for the worse. Increased internationalization of finance and industry placed multiple pressures on the Canadian economy, not the least of which was potential deindustrialization as multinational corporations rationalized production globally. Rising unemployment and inflation defied the most basic trade-off in the technocratic Keynesian paradigm, and stagnant productivity growth questioned its relevance to new conditions.

Bewildered by these pressures, the federal government groped for direction. The search process followed the well-worn path. Technocratic Keynesianism had not cultivated innovative capacity in either the federal interest group or party systems. No institutions for corporatist negotiation at the level of public policy or the workplace existed to allow bargaining on some form of national deal trading-off, for example, labour wage restraint for corporate investment and employment commitments. It followed that the governing party charged the techno-bureaucracy with the task of producing new policy ideas. A protracted process of bureaucratic priority setting ensued, interrupted by unexpected, often inconsistent, economic policy pronouncements from the Prime Minister, who was increasingly straining against the limits of his party's brokerage tactics (Clarkson 1981: 152–89; French 1980).

Policy-making between 1973 and 1980 amounted to little more than what two close observers of the period aptly described as "'ad hocism' practiced with a vengeance" within familiar postwar learning routines (Doern and Phidd 1983: 409). In 1975, wage and price controls were imposed without the support of either labour or business interests, following an election campaign that promised the opposite. In 1978, the Prime Minister announced a sudden personal conversion to fiscal restraint, apparently shocking his finance minister. Meanwhile, the priority-setters in the bureaucracy were contemplating the modalities of a national industrial strategy, undoubtedly requiring new federal expenditures and instruments, to restructure Canada's truncated manufacturing sector (Brown and Eastman 1981).

The governing paradigm was in crisis, but no alternative had yet been for-

mulated, much less embedded. However, these years did manage to clarify the terms for the principled policy struggle of the 1980s. With technocratic Keynesianism discredited, two different paradigms crystallized in response to what was defined as the problem of "national supply side modernization within globalization."

Postwar Canada's Governing Paradigms (2): Neoliberalism in the 1980s and 1990s

Two competing policy paradigms

The policy paradigms emerging from the confusion of the 1970s were neoliberalism and progressive competitiveness. As in the case of the two Keynesianisms in the 1930s, they shared certain basic assumptions about the end of the old order, but diverged sharply in their analyses and prescriptions.

Progressive competitiveness has some continuity with postwar thought and practice, specifically attention to market failures and a corresponding role for government in compensating for such demonstrable inefficiencies.[10] However, there are two important differences between technocratic Keynesianism and progressive competitiveness. First, for progressive competitiveness, the truly important market failures occur on the economy's supply side. Second, the strategy for correction is not enhancement of the state's expertise or forecasting capability, but rather social partnerships among business, labour and other relevant "productive" interests. The assumption here is that government, on its own, is unlikely to be able to provide an adequate and timely supply of the new economy's strategic public goods, principally worker training, research and development facilities, and networks for technology diffusion.

Wolfgang Streeck and his colleagues have done much of the pioneering work in elaborating the substance and strategy of this particular post-Keynesian paradigm, which they term "left productivism."[11] Public policy can help national capitalists to compete globally on the basis of quality and value-added production. Capitalism left to its own logic and devices will not generate the large-scale, long-term investments in innovative capacity necessary for competitive advantage. Problems of free riding and poaching among individual firms constitute a huge barrier to effective restructuring. The state's new productive role is thus located: to deploy a mix of instruments ranging from regulation, expenditure and exhortation to make social cooperation rational for economic actors and to leverage a "high road" restructuring that closes down the low-cost, labour-shedding competitiveness strategy. A post-Keynesian social deal is the overarching policy goal, offering to business a skilled, flexible workforce and, to labour, employment security and a workplace voice. The deal would be implemented and governed through what Joel Rogers and Wolfgang Streeck term "virtuous social institutions" situated between state and market, designed by government to enable interests to realize the "gains from cooperation" (Rogers and Streeck 1994: 139).

In Canada, this policy paradigm has been intellectually supported and politically sponsored by various organizations. These range from social democratic think tanks, some trade unions, a few voices inside the Liberal Party and more emphatically the New Democratic Party. Aspects of the paradigm also found a certain resonance for a time in the business community among the so-called corporate nationalists and organized firms in traditional manufacturing sectors.

Counterposed to progressive competitiveness is neoliberalism, a paradigm that incorporates a chorus of market-based schools of policy thought. Economic ideas such as monetarism, deregulation, privatization, global free trade and investment have been merged with public choice political ideas to mount an attack on Keynesianism, whether social or technocratic in its national particulars. Unlike progressive competitiveness, neoliberalism's break from Keynesianism is complete. The unifying principle is simple: to substitute the market for the state. The claim is not just that the expertise or rationality of the state is "bounded," but rather that officials are motivated to act in ways that undermine the public interest.

Not only bureaucrats but politicians and organized interests must all be disciplined. Market rules replace political discretion. The applications of this principle are far-reaching. In macroeconomic policy, price stability targets are theoretically linked to "natural" levels of unemployment, transforming fiscal policy into an adjunct of a monetary policy obsessed with deflation. In investment and trade policy, international agreements are negotiated that severely limit national policy discretion for economic regulation, procurement or ownership. In labour markets and social welfare, adjustment and redistributive programs are drastically eroded to permit market incentives "to match people with jobs." Social partnerships merely institutionalize rent-seeking special interests, hence training remains a management prerogative and individual workers scramble to accumulate their own human capital.

Where did this paradigm find support in Canada in the 1980s? Most obviously, it became central to a policy offensive mounted by the business community, especially its continentalist wing. The Business Council on National Issues (BCNI), representing the largest and largely foreign-owned industries, rejected the postwar employer strategy of "policy taker and privileged lobbyist" to spread neoliberal ideas (Langille 1987: 41–85). Beginning in 1975, the Bank of Canada embraced the monetarist strain within the policy paradigm. The Department of Finance also turned to this paradigm as it sought to sustain its advisory monopoly in the wake of the discrediting of technocratic Keynesianism.[12] In the party system, these ideas acquired influence initially through the Progressive Conservatives and more recently through the Reform Party and the Liberal Party. The organizing concepts of government failure, natural unemployment rates and so forth were elaborated through think tanks and research institutes, beginning with the Economic Council of Canada and followed with escalating

enthusiasm and resources by the C.D. Howe and Fraser institutes (Ernst 1992: 109–40).

Defeating progressive competitiveness

Neoliberalism has triumphed in the battle to embed a new governing paradigm following the Keynesian breakdown. This outcome reflects, first, how structural-economic factors shifted the terrain for interpreting interests by key social actors, specifically the business community; and second, how the institutional-political landscape of representative politics mediated the resulting inter-paradigm competition to the distinct disadvantage of progressive competitiveness. The similarities to the dismal fate of social Keynesianism in the 1930s and 1940s are striking.

From 1980 to 1988, progressive competitiveness suffered three successive setbacks in the institutions of political representation. To begin, the Trudeau Liberal government's so-called "Third National Policy" drew together a number of ideas from this paradigm, particularly the emphasis on the state's active role in domestic capital formation and sectoral restructuring to forge a value-adding linkage between natural resource extraction and secondary manufacturing. Further, the government announced a series of progressive changes to the income tax system that departed notably from the neoliberal supply-side tax regime being instituted by the Reagan Republicans in 1982.

However, Canada's Third National Policy proved a very short-lived experiment. It was formulated by a few advisors close to the Pierre Trudeau, apparently without much consultation with the parliamentary caucus and party membership, much less social interests, provincial premiers or the electorate.[13] The contentless, negative 1980 election campaign was described by one of its managers, Keith Davey, as "brilliantly cynical." Certainly, the party sought no electoral mandate or alliances for any particular policies, much less for something as coherent and politically complex as the Third National Policy. The consequence of a government legislating boldly without any mobilized support base or electoral policy mandate meant that the package was introduced in a series of "unilateral strikes" that coalesced widespread opposition, especially from provincial premiers and multinational business interests (Atkinson and Coleman 1989: 187). The cost of this political approach to innovation was immediately evident on the policy front. Scrambling to sustain its key energy and constitutional offensives, an overextended government simply shelved the major economic components of the Third National Policy, specifically the progressive taxation and nationalist industrial policy proposals. In the final years of the mandate, governing priorities shifted altogether to fiscal restraint, restrictive public sector labour legislation, and sectoral trade initiatives with the United States.

The debacle of the Third National Policy both reflected and crystallized a major transformation in the policy interests and organizational capacities of the

business community in Canada. In economic policy terms, a "double shift" was underway as business sought greater flexibility in responding to changing global market conditions, new technologies and workplace organizations. On the one hand, in trade policy, the call was for an official end to Canadian tariff protection in exchange for guaranteed access to the American market. On the other hand, in industrial and resource policy, business sought ways to limit federal and provincial state capacity in "Canadianizing the economy." The new goal was to secure legislative guarantees against any future political attempts at interventionist national policies. The principal agent in articulating the public philosophy and policy details behind this double shift was the BCNI. Disregarding the historic fragmentation of business interests in Canada, it developed a sweeping agenda for change anchored by an expansive interpretation of the principle of the rights of property holders and investors. Such rights were inviolate, regardless of ownership structure, investment strategy, employment performance or any of the other criteria by which democratic governments have historically made claims for public intervention.

With the Third National Policy offending this interpretation of the rights of capital, representatives from more traditional Canadian business interests rallied to the BCNI's call to discipline and disable the state. The policy Trojan horse for this restructuring of state-economy relations, of course, was continental free trade. Not only could such an arrangement eliminate protectionism and nationalism, but given the differences in social policy regimes between Canada and the United States, it could work informally to level Canadian practices to strict market-conforming principles. Thus, by 1983, business had responded in a coherent and strategic fashion to changed economic and political conditions. Demonstrating little uncertainty or confusion about its interests and exhibiting unprecedented capacity for policy articulation, business took the initiative in the realm of economic ideas, mapping the contours and content of neoliberalism. What remained was to find high profile "policy venues" where business could market its doctrinal conversion.

In many ways, the process and results of the Liberal Third National Policy in the 1980s resembled the Bennett New Deal of the 1930s. An ambitious reform package, launched unexpectedly and secretively by the Prime Minister and a narrow band of advisors, proved unsustainable in implementation. In the wake of both, governments were left in political disarray and without policy ideas. Moreover, the parallels between the critical junctures do not end there. In 1982, Pierre Trudeau appointed a royal commission on Canada's future that in its large mandate and resources was very reminiscent of the Rowell-Sirois Commission that Mackenzie King had charged to find solutions in the Great Depression. In the 1930s, the commission process provided an arena for technocrats to define a new policy reality and for business to follow, conferring political legitimacy on the product. In the 1980s, roles were reversed: the commission process provided an arena for business to define a new policy reality and for technocrats

to follow, conferring intellectual legitimacy on the product.

The Macdonald Commission thus became the locale for the second significant defeat for the paradigm of progressive competitiveness. As the Liberals, and then the newly elected Mulroney Conservatives, continued to grope for economic policy direction, the Macdonald Commission in 1985 issued a stunningly unambiguous and comprehensive verdict on the inter-paradigm debate. After hearing spokespersons for both perspectives throughout their public consultations, and giving some space to progressive competitiveness in their research program, the commissioners judged neoliberalism superior in almost every way (Banting 1985; Drache and Cameron 1985). Neoliberalism was declared more compelling in its theoretical analysis of states and markets and in practice the only policy paradigm that could feasibly be implemented given Canada's institutional arrangements and administrative-political capacities. Approaches relying on social partnerships forged through political leadership or technocratic expertise in addressing market failures were dismissed as imposing unrealistic demands on politicians and bureaucrats at the same time that they protected inefficient firms and complacent workers.[14] The commission proposed a paradigm wholly consistent with its neoliberal reading of the new reality, filtered as it was, by business critiques of government failure and neoclassical economic celebrations of market efficiency and rationality.[15] Discretionary demand management for high employment was argued to be inferior to automatic deference to natural rates of unemployment. On the economy's supply side, deregulation was recommended in the form of continental free trade and the removal of so-called work disincentives in labour-market, regional development, and welfare programs.

In his 1983 party leadership victory and wildly successful 1984 federal election, Brian Mulroney campaigned in classical brokerage fashion, seeking to please everyone with vague promises, few specifics and no meaningful policy principles. Arguably, he was concrete only in the negative: he declared his opposition to each of the Macdonald Commission's major innovations: free trade and welfare-state retrenchment. True to his brokerage instincts, however, Prime Minister Mulroney suddenly embraced the Macdonald Commission's ideas following the report's release in September 1985. After careening from one policy debacle to another in its first year in office, the Conservative government used the commission's neoliberal paradigm to devise a coherent governing agenda (Bercuson, Granastein and Young 1986; Perlin 1988: 79–96). Immediate support for a free trade agreement was coupled with a longer-range plan for step-by-step dismantling of the postwar social-welfare regime.

In the midst of these policy shifts made by the Mulroney government after its first election victory, the third blow to progressive competitiveness occurred in the so-called 1988 free trade election when the Conservatives won a second parliamentary majority. The single-member-plurality electoral system had the affect of producing an outcome where the two political parties against continental free trade won a majority of the popular vote but were relegated to minority status on the opposition benches without any influence in policy development. This result ensured passage of the free trade deal with its attendant constraints on the state and public policy. The stage was set for full implementation of the Conservatives' neoliberal agenda that would feature large cuts in labour-market and social programs (Godsoe 1989; Campbell 1992: 23–55). Across the government's second term, an end to universality in social programs and reductions in labour adjustment programming each came despite promises suggesting the exact opposite in the 1984 and 1988 Conservative election campaigns.

The 1993 and 1997 Liberal election victories confirmed the defeat of progressive competitiveness and the consolidation of a neoliberal governing paradigm. The Liberals campaigned in an unusually forthright manner on a platform of direct job creation, an active industrial and technology policy, and opposition to international agreements that undermined the ability of national governments to deliver on these commitments to their citizens. Once in power, however, the government, like its Conservative predecessor, broke almost all its promises.[16] It quickly signed the North American Free Trade Agreement, made radical deficit reduction its single economic priority, and in the process abandoned any progressive competitiveness goals in industrial innovation or skills training.

Discussion: Economic Ideas That Really Matter

The above case studies of dynamics in Canada's critical postwar junctures have traced the defeat of two major paradigms: social Keynesianism and progressive competitiveness. These economic ideas were legitimate contenders, but only technocratic Keynesian and neoliberal ideas turned out to really matter in the embedding of new governing models. Our discussion has revealed two main points about the innovation process. First, the battle of economic ideas at times of crisis has been limited to a competition among alternative forms of demand and supply-side management. Each of the four policy paradigms fundamentally respected management prerogatives in the workplace and over investment decision-making. Second, on this circumscribed field of discursive struggle, economic ideas have been disadvantaged that depend for their implementation on democratic political leadership, consensual social partnership and interventionist administrative capacity. Social Keynesianism and progressive competitiveness languished at the public policy margins, never rallying sufficient support among governing politicians or state managers to drive implementation. At both critical junctures in twentieth-century Canada, policy innovation occurred through political stealth guided by paradigms celebrating either the technocratic efficiency of neutral expertise, as in the 1940s, or the neoclassical efficiency of unfettered markets, as in the 1990s.

To explain this pattern in innovation processes and policy outcomes, Peter A. Hall's criteria for assessing the viability of new economic ideas are helpful

(Hall 1989: 370–75). Hall describes three respects in which the viability of new economic ideas will be affected by external conditions and circumstances. From our perspective, Hall's categories are especially apposite because they effectively cut across structural-economic and institutional-political levels of analysis.

The *political viability* of a policy paradigm rests largely on the orientation of governing parties, their electoral strategies, support bases and leadership style in relation to matters of policy substance. If ideas reveal common ground among societal actors who hitherto saw their interests in antagonistic terms, they potentially "speak to the interests of political entrepreneurs who would have to put them into action" (Hall 1989: 375). They may become the political currency in forging coalitions and electoral alliances that support durable change. *Administrative viability* addresses the degree to which new ideas fit with the prevailing biases of senior officials and perceptions of feasible implementation given the state's existing capacities. Perceptions flow from judgements about available fiscal resources, policy tools and technical expertise. *Economic viability* refers to the degree to which new ideas are (or are perceived to be) relevant to solving the country's most pressing economic problems. This test of relevance will be influenced by prevailing theories that provide authoritative criteria for judging the validity of novel solutions and by the established claims of societal actors, most importantly business, about what constitutes responsible ideas and the limits on acceptable modes of state intervention. In our terms, then, what distinguishes those ideas that achieve the status of governing paradigms is that they find success in all three domains.

Applying Hall's categories to our critical junctures, it is clear that technocratic Keynesianism was rooted in "framework" economic ideas that proved a good fit with Canada's policy environment. Economically, technocratic Keynesianism was linked to the emerging, indigenous tradition of staples analysis, in such a way that it became central to the professional identity of a new generation of English-speaking Canadian social scientists seeking policy-relevant applications for their knowledge. A cross-section of business interests coalesced support for this expert movement, reassured by the technocratic policy vision that implied a circumscribed role for state intervention and discretion. Business and bureaucratic interests converged around technocratic fine tuning of a fundamentally stable private economy. Further, private sector business economists were offered a privileged voice in defining the terms of its implementation by the public finance experts delegated wide policy authority by Cabinet. Administratively, this paradigm was "product-tested" successfully in wartime, and its extension to peacetime required mostly a winding down of planning capacities for economic intervention and a ramping up of the state's analytical capacities for economic management. Such a reorganization fully reflected the expectations and aspirations of the paradigm's bureaucratic managers housed in the Department of Finance. Politically, this paradigm asked rather little of

governing politicians. In fact, it supplied a discourse of efficient managerialism that conformed well with both the policy-thin cultural politics of national unity perfected by the King Liberals and the administrative politics adopted by the St. Laurent Liberals (Simeon and Robinson 1990: 79–89).

The same factors that facilitated the progress of technocratic Keynesianism had the opposite effect on social Keynesianism. The social coalitions, intergovernmental compromises and administrative reforms necessary to sustain that paradigm's innovations were consistently disorganized and demobilized by processes of interest representation, electoral competition and policy formation. The electoral system discriminated against parliamentary representation of new political parties; federalism and a highly regionalized economy presented large obstacles to strategic national mobilization of labour movements, not to mention formation of alliances among commodity producers and industrial workers. In such an environment, popular-democratic forces were not able to mobilize sufficient political strength to challenge either the definition of the crisis and its solution formulated by technocratic experts or the boundaries on acceptable policy experimentation established by business interests. An institutional-political system that proved deficient in political entrepreneurship was not conducive to social Keynesianism as its reformist logic involved significant extension of technocratic worldviews and concessions from business interests. In reality, the institutions of representation empowered the technocrats, who were confident that expert administration could compensate not simply for the market failures exposed by the Depression but also for the absence of political and societal policy leadership. Across the critical decade spanning 1935 to 1945, they frequently expressed discrete criticism of governing parties cobbling together short-term electoral majorities divorced from policy commitment, and of interest representatives they saw as defending narrow, sectional viewpoints. Complaints from the bureaucracy about the weaknesses of the Bennett and King cabinets in the realm of policy ideas and governing strategy are well known, as are Mackintosh's dismissals of what he termed the "shopworn" and "uninformed" proposals of business representatives (Mackintosh 1965: 14–18).

Canada's Keynesian revolution occurred through bureaucratic initiative constrained by political temporizing. Royal commissions and bureaucratic committees, more than elections, interest group bargaining or intergovernmental conferences, were central both to the introduction of new ideas and their eventual consolidation as a governing paradigm. Technocratic Keynesianism was put in place through what would later be described as the "politics of stealth": major decisions were first deferred and then referred by politicians to techno-bureaucratic arenas; fundamental choices were made with little public input or even formal ratification through elections; large policy shifts came slowly through the political back door (Gray 1990: 17–29).

Turning to the second critical juncture, policy outcomes there demonstrate how neoliberalism was advantaged in all respects. In economic terms, this para-

digm took shape through the discursive work of powerful business interests directly. The BCNI placed the ideas of free trade, deregulation and privatization on the political agenda in the early 1980s. Through the Macdonald Commission these proposals were situated in a neoclassical economic critique of technocratic Keynesianism and a dismissal of the feasibility of progressive competitiveness. The result was a neoliberal paradigm impressive in its internal coherence and range of public policy applications. Its assumptions about rational behaviour and market optimality informed, simultaneously, a microeconomic agenda of deregulation and a macroeconomic agenda of monetary targets and natural unemployment rates. The theoretical elimination of the positive state in this paradigm also intersected with popular discussion in the media and in business circles of government "debt walls," citizen "tax backlash," "welfare cheats" and the like.

The themes of coherence and simplicity also reinforced the political and administrative viability of the neoliberal paradigm. A return to markets required neither political cultivation of cross-class or inter-regional coalitions nor expanded administrative capacity. To the contrary, neoliberalism's anti-political and anti-statist qualities allowed Canadian governing parties to proceed with their own brokerage variant of Mrs. Thatcher's frank claim to the British electorate that "there is no alternative." The Mulroney Conservatives and Chrétien Liberals made no such declarations and in fact told voters the opposite. Canada's neoliberal national policy innovation was, like its technocratic Keynesian predecessor, designed, implemented and communicated by political stealth. Election campaigns either misled voters or remained irrelevant to policy intentions. As various public policy analysts have detailed, historic federal policy shifts such as the ending of universality or the abandonment of national standards in social programs, and even free trade, were cloaked in technical complexity with the political intent of communicating them as minor adjustments to the status quo.[17] The Conservatives, as Leo Panitch put it, were able to "introduce Reaganomics by the back door of the free market ethos and provisions of the free trade deal" (Panitch 1994: 80).

Administratively, as in the 1940s, the Department of Finance drove implementation of the paradigm, taking full advantage of the tradition of budget secrecy. From 1985 to 1995, governing party campaign promises notwithstanding, the Department made a series of regressive tax changes, cuts in provincial transfer payments, and reductions in the budgets of departments active in the implementation of the previous national policy model, such as Employment and Immigration, Health and Welfare, and Industry. For this departmental cost-cutting and downsizing, the Finance Department, after 1993, enlisted central agency support in the form of a closed-door program review that delivered unprecedented results (Armit and Bourgault 1996). By the late 1990s, far fewer federal public servants were empowered to do less with fewer policy instruments and far fewer resources (Kroeger 1996: 51–69).

In contrast to neoliberalism, progressive competitiveness was a problematic undertaking given the institutional-political inheritance from Canada's post-war accommodation. By the mid-1980s, when sustained shifts in the governing paradigm began, progressive competitiveness was burdened by negative association with earlier social partnership and interventionist policy failures such as the Third National Policy, wage and price controls, and the industrial strategy of the 1970s. This record of failure contributed to the folding of the limited business support for the paradigm that existed in some sectors of the economy, as the BCNI consolidated its "corporate hegemony." Further, an institutionally focused school of public policy which analyzed supply-side market failures did exist and had decent representation in almost every social science discipline except economics, which had established a virtual monopoly as suppliers of "responsible" advice on government policy. Consequently, policy intellectuals concerned to refine progressive competitiveness were limited in their access to decision-making arenas such as the Department of Finance, the Bank of Canada and the influential Macdonald Commission. Furthermore, the two key policy institutes sponsoring this research, the Science Council of Canada and the Canadian Institute for Economic Policy, for different reasons, ceased operations in the midst of the inter-paradigm struggle (Dobuzinskis 1996: 99–109).

Finally, there tended to be a disjuncture between the microeconomics and macroeconomics of progressive competitiveness. Unlike neoliberalism, with its encompassing logic of market efficiency, progressive competitiveness devoted near exclusive attention to supply-side market failures. Yet, without a tight labour market, increased training was unlikely to solve anything, and without economic growth, private-sector investments in research and development were most unlikely. In short, progressive competitiveness introduced in a low-growth and high-unemployment macroeconomic context carried significant disincentives to cooperation for both business and labour (Dunk 1996; Kuttner 1994: 146–52).

This latter point broaches the manifold political difficulties of the progressive competitiveness paradigm in the Canadian context. Although Rogers and Streeck suggest that this paradigm makes "capitalism an offer it cannot refuse" (1994: 134), there is ample evidence in Canada of just the opposite. In other words, business interests must be forced politically, more than enabled organizationally or exhorted rhetorically, to engage partnership processes. Yet, such progressive political forces now confront the fact that globalization has everywhere strengthened the exit options for capital from national deals. High technology firms are able to match productivity levels in low-wage regions, and such relocations or their threat seriously erodes political pressure for extending worker rights into matters of production and supply-side management. Few incentives exist for Canadian business, first, to build an organizational structure suited to participation in associative governance and, second, to abide by any ensuing compromises that might be negotiated. Indeed, in the absence of seri-

ous political challenge, Canadian business responded to the impasse of technocratic Keynesianism in the early 1980s, not by seeking social partners or supporting tri-partite arenas, but by mounting a unilateral offensive in the realm of ideas to embed its own policy agenda. In the 1990s, the brief experiment with national labour-market boards underscored the political barriers to progressive competitiveness in a deflationary and globalized economic environment (Sharpe and Haddow 1997: 291–317). At the provincial level, with the notable exception of Québec, government-led attempts to restructure on the basis of progressive competitiveness likewise foundered. The main obstacles were familiar: business resistance to power sharing; constraints imposed by federal macroeconomic and trade policies; and the organizational fragmentation of almost all private sector representatives (Bradford 1998b: 539–73).

Further, the political vulnerabilities of this paradigm were unlikely to be compensated for at the administrative level. For a federal bureaucracy long-accustomed to dominance in policy design and management, progressive competitiveness was threatening in three directions. First, it posed complex, unfamiliar questions of intervention on the supply side of the economy, most of which also surfaced hard questions of constitutional authority, as both labour market and industrial policy were fields where both federal and provincial governments had strong jurisdictional claims. Second, progressive competitiveness's significant degree of delegated authority to external actors implied a diminished or at least very different advisory role for officials. Third, the kinds of policy instruments required to force and enable social partners to engage in cooperative behaviour were among the regulatory tools of state that global free trade agreements have tended to rule out of order (Robinson 1993).

Beyond Stealth Politics and Framework Policies: Eliminating the Democratic Deficit in Canadian Economic Policy

This chapter has scrutinized the claim that economic ideas matter in explaining the overall course of public policy. Using the pattern of breakdown and renewal in the federal national-policy tradition as our case study, we have argued that economic-structural and institutional-political factors intervene between ideas and policy outcomes to determine which ideas really make a difference.

This interpretation of major policy innovation in Canada sheds new light on the role of royal commissions on the economy. Such commissions have become decisive institutional arenas where idea generators and social interests converge to redraw the road maps for the Canadian state and polity. In each period, the commissions have mobilized business-technocratic alliances behind new paradigms that in their breadth and detail amounted to fundamental reformulations of the received policy orthodoxy. The commission's pivotal role in linking ideas and interests must be understood in the broader context of the institutional-political landscape. Canada's brokerage parties have not developed their own idea-generating capacity; nor have they cultivated social partners or

electoral coalitions that in other countries have produced innovations through either British-style "party government" or Swedish-style "societal corporatism." As the leading authorities on party politics conclude, there has been a "virtual displacement of policy innovation from the party system" to "arenas constitutionally isolated from electoral politics" (Clarke 1996: 17, 20). Our case studies bring into focus the importance of one such arena in compensating for the political system's representational gaps and innovative deficiencies. Major policy issues were passed to "crisis commissions" in the 1930s and 1980s, not to bury the controversies but to provide governments with ideas on how to proceed. In each era, commissioners judged partnership economic ideas neither desirable nor viable. Cabinets and bureaucrats welcomed this advice and the broader discourse within which each paradigm was situated. Commission-generated framework ideas became governing paradigms through political stealth.

The implications of all of this for a new understanding of the power of ideas, or at least a more nuanced understanding than presently exists, are evident. Analysis of the institutions of political representation reveals much about the *process* by which new ideas are introduced, adopted and embedded. In the Canadian case, institutional-political factors produced an innovation dynamic characterized by political stealth whereby commissions rather than electoral competition, corporatist bargaining, or intergovernmental negotiation become the critical "switchpoint mechanism" combining ideas and interests into new paradigms. However, to grasp the *content* of these winning ideas, it is necessary to undertake structural analysis of capitalist dynamics and power relations. In both periods, the autonomy of the commissions in the realm of ideas was bounded by business claims about acceptable innovations. In the 1930s, the boundary was a general one and the business influence indirect; technocrats seized the intellectual initiative in fashioning a new solution that conformed nicely with business expectations about the state's proper role in recovery. In the 1980s, business interests went well beyond parameter setting to take an active role, not simply in ideologically structuring the commission's deliberations and research work, but in directly presenting sophisticated policy blueprints of a new reality. Both commissions, thus, recommended versions of framework economic policy appropriate to their eras.

In sum, institutional analysis reveals significant continuity in Canadian innovation processes: royal commissions resolved inter-paradigm policy debates, and through stealth politics such outcomes were embedded in the state. At the same time, structural analysis accounts for change within the specific content of the framework economic ideas, technocratic Keynesianism and neoliberalism, that have constituted Canada's two governing paradigms. Linking form and content through structural-institutional analysis of economic ideas, our case studies present a robust account of Canadian national-policy innovation.

It is also apparent that innovative dynamics exhibit strong path dependencies: ideas once confirmed as governing paradigms channel future policy thought

form remain bleak in Canada. Nonetheless, just such a democratization of the national-policy formulation process is required to end the decades-long business-technocracy monopoly on authoritative ideas. The advance of non-market, anti-technocratic ideas in Canada will require new forms of policy leadership from parties and political accountability from the business interests benefiting from privileged bureaucratic access. Such behavioural change almost certainly presupposes institutional reforms in the channels of policy formation to create the incentives for politicians to involve citizens more in policy-making and for business to engage collaborative dialogue. The same logic of inclusive, transparent deliberation and positive-sum compromise informs both proportional representation and associative governance. The synergy could build momentum for a democratic reform package linked to the policy vision of full-employment communities.

Moreover, the economic failures of neoliberalism and the continued political opportunism of governing parties are creating space for questioning Canada's authoritative policy ideas. More than a decade of neoliberalism has left the country struggling with the legacy of the worst recession since the Great Depression. High unemployment and the proliferation of junk jobs, rising inequality, growing debt and the dismantling of public services and social standards are hardly ringing endorsements of the received wisdom. Further, neoliberal politicians may have stretched stealth politics to the breaking point. The political pattern encompasses the entire neoliberal policy era. In 1984 and 1988, Conservative "sacred trusts" on social welfare were broken by policies that ended universality and exacerbated inequality. In 1993, Liberal "Red Books" on employment commitments became "Purple Books" on deficit reduction and downsizing. In 1997, campaign promises to reinvest budget surpluses in a decaying social infrastructure were immediately cast aside in 1998 in favour of debt reduction. And of course both Conservative and Liberal rejections of continental free trade proved meaningless. The cumulative effect is a cynical electorate, leading to citizen alienation or anger and most likely both.

Neoliberalism is not a hegemonic policy model in the way that technocratic Keynesianism was in the first postwar decades. There has been no stable cross-class or inter-regional accommodation accompanying this model. On the contrary, the popular sector, through the alternative-budget process and other similar initiatives, continues to develop a very different policy paradigm and to speak up for communities hurt by neoliberalism. Mass public opposition has been expressed in a variety of ways, most recently in the 1997 election when the overwhelming issue for the public, unemployment, was virtually ignored by the parties, presumably because the embedded policy paradigm removed it from consideration as a problem that government could do something about. A similar public disposition is reflected in the opposition to the Multilateral Agreement on Investment, the latest global instalment of the neoliberal panacea. Indeed, comprehensive opinion research undertaken recently on rethinking government reveals a growing divergence between the public's priorities and expectations and those of business and state elites (Ekos Research Associates 1995: 20). The political challenge remains to link a full-employment national-policy paradigm to democratic reforms that enhance the viability of such ideas. Failure to connect ideational and institutional agendas only reinforces the dead weight of past stealth politics and framework policies, even as economic structures open new possibilities.

Notes

1. This article was first published in *Studies in Political Economy: A Socialist Review* 59, Summer 1999. The author and publisher would like to thank *SPE* for their permission to reproduce the article in this collection.
2. For overviews of Canada's National Policy tradition see Bradford (1998a); Eden and Molot (1993: 232-52); Brodie (1990); McBride and Shields (1997).
3. In addition to Hall (1989), see Goldstein and Keohane (1993); Ziegler (1997).
4. See also Pontusson (1995: 117–47); Hall (1997: 174–208).
5. See Pontusson (1992), especially Chapter 8. This perspective is richly represented in the new Canadian political economy. See, for example, Clement (1975), Mahon (1984) and Langille (1987: 41–85).
6. See Marsh (1943), Underhill ([1938] 1975) and Hansen (1938).
7. The views of Canada's most influential Keynesian policy intellectual are revealing of the technocratic orientation. See, for example, Mackintosh (1937: 315, 1948: 4–31 and 1950: 319).
8. For business support of the commission, see Thompson (1940). More broadly, see International Labour Review (1940: 47–66).
9. For details on Canadian Keynesian policy practice, see Gordon (1965), Wolfe (1984: 46–78) and Campbell (1987).
10. For critical discussion of the policy paradigm of progressive competitiveness, see Albo (1994: 144–71) and Panitch (1994: 60–94).
11. See the contributions in Cohen and Rogers (1995) and Rogers and Streeck (1994: 128–46).
12. For details on the incorporation of neoliberal macroeconomic ideas into the operations of the Bank of Canada and Department of Finance, see Coleman (1993: 207–41). See also McCuaig (1998).
13. An authoritative account of the origins and limits of the Liberal Third National Policy is McCall and Clarkson (1994), especially Chapter 4.
14. See Canada (1985), especially Volume 1, pp. 70–73.
15. See Bradford (1998a, chapter 5), Coyne (1995) and Scott (1986: 1–10).
16. For an overview of the extent of the Liberal government's backsliding from the party's election promises, see Johnson and Stritch (1996).
17. For further elaboration of stealth politics and recent social policy innovation, see Gray (1990); and concerning similar political tactics in trade and industrial policy, specifically in relation to the momentous federal government decision to enter a continental free trade arrangement, see Williams (1985: 659–78).
18. See Canadian Centre for Policy Alternatives (1998) and Ontario Federation of Labour (1997a).
19. This argument is persuasively developed in Coleman (1988, chapter 13).