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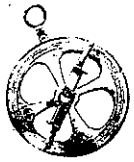
Writing Public Philosophy: Canada's Royal Commissions on Everything

Neil Bradford



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Trent University,
Box 4800, Peterborough, Ontario, Canada K9J 7B8.

Telephone	705-748-1279	Téléphone
Fax	705-748-1110	Télécopieur
E-mail	jcs_rec@trentu.ca	Courrier électronique

CHAMPLAIN'S ASTROLABE

The symbol displayed on the cover of the *Journal of Canadian Studies* is the astrolabe used by the scholar-explorer Samuel de Champlain on his voyages of discovery to Canada. Champlain apparently lost this astrolabe, a navigational instrument with its origins in antiquity, on 7 June 1613, while crossing a portage in the upper Ottawa River valley. It was found in August 1867, in what had formerly been a swamp, in the northern part of the County of Renfrew, Ontario. The date 1603 is inscribed on the face of the astrolabe.

The Champlain astrolabe, previously in the collection of the New York Historical Society, was acquired by the Canadian Museum of Civilization in June 1989.

L'ASTROLABE DE CHAMPLAIN

Le symbole qui figure sur la couverture de la *Revue d'études canadiennes* représente l'astrolabe dont se servait l'explorateur et savant, Samuel de Champlain, lors de ses premiers voyages de découverte au Canada. Champlain perdit cet astrolabe, instrument de navigation dont les origines remontent à l'antiquité, le 7 juin 1613, pendant qu'il faisait du portage dans la vallée supérieure de la rivière Ottawa. On le retrouva en août 1867, à l'emplacement d'un ancien marais, dans le nord du comté de Renfrew en Ontario. La date de 1603 est inscrite sur le devant de l'astrolabe.

L'astrolabe de Champlain, qui faisait partie anciennement de la collection de The New York Historical Society, fut acquis par le Musée canadien de civilisation en juin 1989.

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Myth and Ideology: Contributions *of* Canadian Thinkers

Mythe et idéologie: Contributions des penseurs canadiens

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Writing Public Philosophy: Canada's Royal Commissions on Everything

Neil Bradford

This article explores the contributions to Canadian policy development and policy thought of three royal commissions of political-economic inquiry: the 1940 Royal Commission on Dominion-Provincial Relations; the 1958 Royal Commission on Canada's Economic Prospects; and the 1985 Royal Commission on the Economic Union and Development Prospects for Canada. Each commission is examined through three areas of concern: the context for its appointment, the content of its report and the nature of its subsequent influence. Revealing similarities and differences across the three inquiries, the article highlights the importance of the commission process in renewing Canada's National Policy tradition in periods of great economic stress and policy uncertainty. The significance of Canada's "commissions on everything" is related to the deficiencies in innovation of other representational institutions and policy development channels in the Canadian political system.

Cet article explore les contributions au développement des politiques canadiennes et la pensée politique de trois commissions royales sur des sujets politiques et économiques : la Commission royale de 1940 sur les relations entre les provinces et le dominion; la Commission royale de 1958 sur les perspectives économiques du Canada; et la Commission royale de 1985 sur l'union économique et les perspectives de développement pour le Canada. Pour chaque commission, trois questions de base sont analysées : le contexte des rendez-vous, le contenu des rapports et la nature de leur influence ultérieure. Présentant de nombreuses différences et similitudes à travers les trois commissions, l'article souligne l'importance du processus des commissions pour le renouvellement des traditions des politiques nationales au Canada en période de grand stress économique et d'incertitude politique. La signification des "commissions sur tout" du Canada est reliée au manque d'innovation dans les autres institutions représentatives et les canaux de développement des politiques du système politique canadien.

> (Commissions of Inquiry) have brought new ideas into the public consciousness. They have expanded the vocabulary of politics, education and social science. They have added to the furniture that we now expect to find in Canada's storefront of ideas. And they have always had real importance in providing considered advice to governments. This is their primary function. But in recent years, Commissions of Inquiry have begun to take on a new function: that of opening up issues to public discussions, of providing a forum for the exchange of ideas in Canada.
> *Thomas Berger*[1]

> (Royal commissions) may be involved in generating new representations of history, of the present community, and of available futures that both educate and may very well empower.
> *Jane Jenson*[2]

> (It) is significant that much of the history of Canada could be interpreted through the work of commissions of inquiry.
> *Law Reform Commission of Canada*[3]

Two policy advisory royal commissions inquiring into the Canadian political economy have exercised broad and enduring influence over national development in the second half of the twentieth century. The 1940 Royal Commission on Dominion-Provincial Relations (Rowell-Sirois Commission) and the 1985 Royal Commission on the Economic Union and Development Prospects for Canada (Macdonald Commission) contributed greatly to major shifts in the terms of Canadian political discourse and the course of federal public policy. The similarities between the two commissions are striking. Both were appointed in times of crisis or great confusion in the economics and politics of the country. Each was handed a mandate to analyse what has been described, not entirely in jest, as "everything" about the country's past, present and future (Coyne; Cairns, 1990). Following three years of public hearings, private deliberations and extensive specialised research, each commission delivered a massive three-volume report that recommended new public purposes, institutional arrangements and national policy directions.

These commissions, separated by more than four decades, made era-defining statements about Canadian development, announcing in the 1940s the arrival of Keynesianism and in the 1980s its replacement by neo-liberalism. They have given meaning and direction to Canada's so-called National Policy tradition, the successive large-scale federal policy undertakings that most observers agree have structured the country's economic and social development (Fowke; Smiley, 1975; Brodie). They produced coherent new "action frameworks" enabling policy makers to bring together the necessary political support and administrative expertise for significant change across a range of policy fields. As such, Canada's "royal commissions on everything" generated what Max Weber once termed "world images": idea systems that realign the thought and behaviour of social and political interests. In Weber's evocative language, such images act "like switchmen" determining "the tracks along which action has been pushed by the dynamics of interests."[4] Keynesianism and neo-liberalism count among the twentieth century's most compelling world images and, in Canada, we argue that both came into focus through

the work of royal commissions on the economy. At critical junctures in the country's economic history, the Rowell-Sirois and Macdonald commissions functioned as the "switchpoint mechanism" in the political system, not directly causing or forcing policy change but launching the ideas that enabled others to make it happen while also channelling its subsequent course.

The case for the significance of "commissioning ideas" in Canadian politics rests on two interrelated claims, one about the intellectual content of the reports themselves and the other about the political process within which the commissions were located as advisory bodies to government. Regarding the intellectual content, the persuasiveness of commission ideas stemmed from the way in which each report articulated a new "public philosophy" of national development and joined it to an equally novel "policy paradigm" specifying concrete reforms. The substantial influence of the reports can be related to what might be called innovative deficiencies in other representational institutions and policy development mechanisms in federal politics. That is, the often noted failure of political parties, interest groups and intergovernmental bodies to produce new ideas or visions left plenty of space for both the Rowell-Sirois and Macdonald royal commissions to define desirable futures and map the behavioural and institutional changes required to make them viable.

A focus on innovation within Canada's National Policy tradition restricts this investigation to those economic royal commissions that have been mandated by the federal government to recommend new development strategies. As such, other landmark inquires that have addressed aspects of Canada's national question through the lens of cultural relations and community identities, rather than political economy, fall outside our purview. Certainly, similar study of the Royal Commission on National Development in the Arts, Letters and Sciences (Massey Commission), the Royal Commission on Bilingualism and Biculturalism and the Royal Commission on Aboriginal Peoples, would broaden the understanding of Canada's public philosophies presented below.[5]

This discussion of the Rowell-Sirois and Macdonald royal commissions probes three basic issues: the context for the appointments, the content of the reports and their influence on subsequent policy action and thought. A third royal commission, sharing many of the characteristics of the two others, reported in the late 1950s. This intervening commission on "nearly everything" was the Royal Commission on Canada's Economic Prospects (Gordon Commission). Its legacy differs from that of both Rowell-Sirois and Macdonald; analysing its work provides further insights into the evolution of Canadian National Policy.

Ideas and Innovation in the Canadian Political System

At the outset, it is necessary to clarify the terms public philosophy and policy paradigm. A public philosophy, according to the concept's pioneer Samuel Beer, is "an outlook on public affairs which is accepted within a nation by a wide coalition and which serves to give definition to problems and direction to government policies dealing with them" (Beer 5-6). Beer argues further that such philosophies are "crucial to a democratic polity" not because they eliminate or even reduce political conflict, but because they bound it within a "vision of the social whole" that sustains dialogue over difference and allows compromise. Public philosophies thus advance broad claims about the basic goals, historical memories, and collective identities of a polity (Weir 168-71). At a less macroscopic and more technical level, policy paradigms address not so much the broad ends of political life but the means of getting there. Identifying the problems amenable to state redress, they conceptualise important causal relationships among policy variables, and identify feasible solutions based on analysis of the costs and benefits of different instruments (Hall 279). The power of ideas in shaping the thought and behaviour of political actors is greatest when a policy paradigm is conceptually embedded in a public philosophy. As Peter A. Hall puts it, such integrative packages "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" (Hall 367).

Taking our cue from Beer and Hall, we can ask how a country generates public philosophies and policy paradigms. Every political system contains various policy actors – party politicians, interest group representatives, civil servants and professional experts – who may lead idea generation and discourse construction. It follows that variations in social structure, institutional arrangements and organisational histories across countries may privilege different actors and processes in policy innovation (Bradford Ch. 6). For example, research shows that in Great Britain, political parties loom large in creative processes. Well-developed ideologies and substantive electoral manifestos inform principled policy debate; elections have considerable significance as fundamental moments of policy choice and change. In Japan and France, on the other hand, scholars have found that political parties tend, in matters of policy substance, to defer to bureaucratic elites who place their own stamp on national development strategy. In countries such as Sweden and Germany, the dynamic is different yet again; many studies of societal corporatism detail the pivotal role of highly organised social interests in defining problems and solutions. Peak associations for functional interests have advanced their particular concerns by offering larger visions of the public good that consti-

tute the intellectual foundations for cross-class negotiation of policy deals. Each of the above cases demonstrates a different path to innovation taken by different agents of change.

Where does Canada fit? What configuration of actors and institutions drives large-scale policy change? Political scientist V. Seymour Wilson once remarked that the specificity of the Canadian public policy process resided in the "meshing of political expediency and bureaucratic pragmatism" (Wilson 459). From our perspective, Wilson's insight provides a fruitful departure point for interpreting the role of Canada's royal commissions on everything in policy making. Simply put, expedient parties and pragmatic officials are likely to be risk averse in their behaviour, preferring to leave the intellectual challenges of public policy renewal to others.

To begin, Canada's "brokerage" political parties are poorly equipped to generate policy ideas, represent interests and lead innovation (Clarke et al.). Successive generations of scholars have elaborated on André Siegfried's 1907 observation about the "absence of ideas or doctrines to divide the voter" (Siegfried 113). In the 1930s, F.H. Underhill railed against Canada's "absurd party system," which failed in the Great Depression to offer a "new formulation of the national interest" (Underhill, 1975, 181). In the 1960s, when shifting values, new technologies and social movements created opportunities for policy renewal, John Porter and others lamented the absence of party leadership in forging "creative politics" (Porter Ch. 12). Most recently, against the backdrop of three decades of economic and constitutional turmoil, Harold Clarke and his colleagues have shown how federal elections have resulted in a "virtual displacement of policy innovation from the party system" (Clarke et al. 17). In other words, brokerage politics supplies few incentives for governing parties to produce their own ideas, much less to use such novel concepts in seeking mandates from voters for policy innovation. Former Prime Minister Kim Campbell's blunt declaration in the 1993 election that campaigns were not the time to discuss the substance of economic and social policy choices was as analytically astute as it was politically naïve.

The obvious candidate to compensate for the deficiencies of party politics is the bureaucracy. Once again, however, scholarly analysis of the Canadian state system shows that bureaucratic officials have acted more as a conservative force of continuity than instigators of change (Cairns, 1995, 86-90; Phillips 17). Paul Pross has described a condition of "bureaucratic pluralism" in which responsibility for policy-making is dispersed among various agencies and departments (Pross 247). The result, William D. Coleman argues, is a state apparatus "divided within itself and lacking integration and focus"; it cannot innovate and further erodes political leadership by leaving the "executive with reduced capacity to control both policy development and implementation" (Coleman 258). Transposed to the arena of intergovernmental relations, these structures and processes have produced a

Canadian state system that Richard Simeon and Ian Robinson conclude has "failed to co-ordinate policies, failed to accommodate regional and national interests, and failed to meet the standards of democratic accountability and participation" (Simeon and Robinson 296).

The critiques of the federal party and state systems have been paralleled by similar analysis of interest groups (Coleman; Sharpe and Haddow 1997). The institutional structures and representational logic of brokerage politics and bureaucratic pluralism find their societal match in interest groups that are poorly organised to speak for broad constituencies or to bargain trade-offs and ensure membership compliance with negotiated policy compromises. Major functional interests such as business and labour, which assume significant public policy responsibilities in corporatist countries, are in Canada decentralised and fragmented, with meagre capacity for original policy research. New social movements sponsoring unorthodox or challenging views of the economy often find themselves unable to gain recognition or support from either expedient parties or pragmatic bureaucracies (Carty; Phillips 19).[6]

In sum, leading scholars of Canadian political institutions have concluded that conventional channels of policy development and interest representation are not the source of major policy ideas or drivers of change. Here our claim is straightforward: in times of economic crisis or turbulence, when the demand for new policy ideas is high but the political system's capacity to supply them is weak, royal commissions have filled the vacuum, clarifying matters for a host of political actors uncertain about their interests and strategic choices for the future. In his assessment of the Rowell-Sirois Commission, J.H. Dales captured the essential point:

> The achievement was an intellectual one; the makers of the Report and its supporting studies succeeded in writing a history for their own times. They succeeded, that is to say, in giving their contemporaries a coherent picture of themselves – of where they had been and how they got where they were; of where they stood in relation to the rest of the world; and where they seemed to be going. (Dales, 1978, 2)

Indeed, the intellectual achievements of Canada's royal commissions on everything have been impressive. But the achievement is more than just intellectual; in writing histories for their times, these commissions became authors of significant policy change.

Writing Canadian Public Philosophy: The Royal Commission on Dominion-Provincial Relations

The Rowell-Sirois Commission laid the conceptual foundations for post-war federal policy and politics. At the time of the commission's appointment in 1937, the economic and social chaos of the Great Depression had overwhelmed the political and state system's capacity to respond. The signs of impasse were obvious: Prime Minister Bennett's New Deal rhetoric was never backed by the political commitment or policy leadership necessary for implementation; moreover, a series of stormy intergovernmental conferences delivered only *ad hoc* solutions; and finally, the 1935 Depression election saw the King Liberals sweep to power with no discernible recovery plans other than strict adherence to the shopworn principles of sound finance and responsible government. Proposals for loans councils, jurisdictional transfers in taxation and employment policy, provincial debt conversion and counter-cyclical spending, all were dismissed by Prime Minister King who feared their negative implications for the federal treasury, the political fortunes of the Liberal party, and what he saw as the profligate spending habits of provincial governments.[7] Political debate, framed by vacuous slogans such as "King or Chaos," reduced possibilities to a choice between socialised state planning and *laissez-faire* decentralisation. The former position utterly lacked the political backing to be implemented while the latter was implemented but utterly useless. Observing the major public policy breakthroughs occurring at this time in places such as the United States and Sweden, F.R. Scott lamented that in Canada, "Reform has been avoided to a degree remarkable in relation to the disclosed need, remarkable also by comparison with other democracies" (Scott 150).

Senior civil servants recently recruited to the Department of Finance and the Bank of Canada privately despaired of the workings of Canada's political machinery and policy leadership in the face of the challenges posed by the Great Depression.[8] Parties were personality driven and patronage ridden; interest groups were sectionalist and often sectarian in outlook; intergovernmental negotiations were sidetracked by federal intransigence and provincial extremism; and the bureaucracy was still building its analytical and policy development capacity. With the political route to innovation effectively closed, these officials conceived the royal commission as the instrument to move public policy beyond the entrenched orthodoxies (Fransen 41-46). To them the potential contributions of a commission were evident: the public hearings could educate the public about the desirability of change, while allowing previously opposed social interests to discover areas of common ground; and the report and research documents could enlighten governing politicians about the benefits of applying expert knowledge in managing national economic and social problems. As Deputy Finance Minister

W.C. Clark summarised, an appropriately designed and staffed inquiry could "force favourable action on the part of any government entities that might be recalcitrant."[9]

The King government's consent to the creation of the commission was reluctant, and the prime minister envisioned an inquiry of limited scope and duration. He preferred a fact-finding mission that would compile technical information on public finances and not recommend a plan of action. Such a bounded inquiry, of course, was likely either to further delay innovation or permit political confirmation of the established policy course. As such, it fell far short of the ambitious design of the bureaucrats who saw the commission as the necessary catalyst for sweeping reforms to Canadian federalism and, to some degree, capitalism. In the end, the officials prevailed on the prime minister and the Royal Commission on Dominion-Provincial Relations was established with a broad mandate to interpret the roots of the Depression economic crisis and intergovernmental policy impasse, and to advise new solutions. Most importantly, the commissioners would be supported for the first time in the history of Canadian inquiries by a team of social scientists keen to share knowledge about the workings of modern economies and the positive role of government.

The Rowell-Sirois Commission researchers were overwhelmingly of one mind about the country's problems and prospects (Owram Ch. 10; Ferguson Ch. 9). Their faith was in the power of expert ideas to transform political and ideological controversy into administrative problems amenable to technical resolution through detailed understanding of the complex variables at play. They shared a materialist interpretation of political history that was not deterministic (Mackintosh 1923; Underhill 1940). Space was available for human agency to channel the currents of geography, technology, trade and other objective forces. But the potential for human agency to counter the dictates of impersonal material forces rested on the quality of advice guiding state interventions. Markets were prone to serious failure and there was nothing automatic about the ability of political institutions to correct and compensate. The obstacles to efficient adjustment were especially daunting in new countries such as Canada. Staples-based economies were subject to huge overhead costs and the vagaries of international demand (Mackintosh 1936). The pattern was one of boom and bust, wildly fluctuating incomes across time and space and the steady accumulation of debt. For the commission researchers aggressive risk-taking investment in staples needed to be balanced by awareness of the burdens resulting from overly ambitious outlays. The problems of the Canadian economy were as much informational as structural in nature; massive public or private investments in new resources or transport systems made in the absence of adequate forecasting about future trends only intensified cyclical problems. A statistical basis for more precise understanding of public finance, international business cycles and demand shifts was essential to effective management of the staples economy.

In sum, the commission's work depended on agreement that Canada needed an active state, but one whose activism was disciplined and constrained by expert intelligence. From this vantage point, the conservative counsel of *laissez-faire* was an abdication of public responsibility compounded by ignorance of the more balanced policies permitted by application of new knowledge. Yet, to intervene massively, as the socialist "hot gospellers" demanded, was to inflate out of all proportion the power of ideas – not to mention to disregard the democratic limits on technocracy (MacGibbon 68-73). Thus, the proper progression of Canadian reform was clear: a commission-generated policy paradigm would be institutionalised in state agencies such as a statistical bureau and departments like Finance staffed by social scientists trained to implement its ideas. This had a number of implications for public policy-making. First, the relevant expert advisors were economists, not the hitherto dominant social workers. Second, the kind of knowledge demanded shifted away from experience of "case work assistance" to individuals in distress, to the theories of public finance and economic management adjusting income flows across the whole economy. Third, the logical government focus for this expertise shifted upward from the municipal or provincial level, where responsibility for containing poverty's effects resided, to the federal or national level, where the capacity for preventing poverty through maintaining high employment could be built, if political responsibility was recognised.

On this intellectual foundation, the Rowell-Sirois Commission produced a new public philosophy of Canadian development. Replacing the familiar external focus on constitutional and diplomatic relations mediated by the Imperial connection, the commission emphasised the internal dynamics of nation building, especially the domestic political capacity to marshal resources for economic expansion, social stability and regional balance. The commission responded to the crisis and stalemate of the 1930s with an historical reconstruction of the intentions of the architects of Confederation in 1867 when it emphasised the large policy role originally envisioned (and expressed through the Macdonald-Laurier National Policy) for the federal government in nation-building tasks. After the First World War, however, changing economic conditions and social demands had not been accompanied by the necessary political leadership and creative policy-making. The commission held political, judicial and economic élites accountable for their disregard of history and abandonment of responsibility:

> When a specific and co-ordinated program was required, there was bewilderment; when positive action was needed there came only temporizing and negative policies; when a realization of the far-reaching effects of the altered circumstances was demanded, there was but faith in the speedy return to the old conditions of prosperity. (Canada,1954, Book 1, 144)

Without policy ideas and without political resources, the federal government drifted into the Bennett debacle and the King paralysis of the 1930s. For the commissioners, it was the culmination of Canada's twentieth-century pattern of political failure to adjust national policy to unfamiliar conditions. Their report was a powerful critique of the state system and political leadership, rooted in a new interpretation of the economic role and social responsibilities of the federal government.

This public philosophy structured the commission's specific recommendations or policy paradigm. At heart, this paradigm, in the work of researchers such as W.A. Mackintosh, A.E. Grauer and S.E. Bates, integrated Keynesian concepts of domestic demand management with the staples thesis with its emphasis on externally generated instabilities. The three strands of the Depression crisis – economic collapse, fiscal crisis and jurisdictional imbalance – had hitherto been seen as independent but now their necessary interdependence in any viable solution was recognised. "Powerful instruments," such as counter-cyclical financing and "an intelligent and coordinated use of credit, foreign exchange, trade, transportation, and taxation policies, "could" combat unemployment and ... reduce fluctuations in income" (Canada, 1954, Book 2, 24). To enable the federal government to assume its responsibilities, a revenue base must be secured through centralisation of fiscal authority. Ottawa was the only government able to respond to national crisis, and this response would include stimulative spending, national unemployment insurance, and centralised relief assistance. An earnings-based unemployment insurance system as recommended by the earlier National Employment Commission was but one piece in the recovery puzzle when almost one million workers had no prospect of qualifying for such benefits. Positive job creation measures were necessary and provincial variations in support for those ineligible for unemployment benefits further underscored the need for national leadership.

The commissioners proposed an overhaul of federal finance to centralise fiscal control while still seeking to respect provincial autonomy. Each province must be able to meet its constitutional obligation for educational and social service provision "to the average Canadian standard, and to do this without imposing a tax burden upon its residents greater than the average for Canada" (Canada, 1954, Book 2, 81-85). A National Adjustment Grant would serve both the goal of economic prosperity and that of national unity by directing financial support to the provinces on the basis of fiscal need with no other conditions. Borrowing from Australian practices in fiscal federalism, the commission proposed a finance council composed of federal and provincial representatives advised by an expert secretariat to administer regional redistribution on a scientific not political basis. The final key piece in the commission's policy paradigm offered support from the wealthier provinces that would benefit least from the major fiscal transfers. Certain federal tax concessions and rebates were recommended in resource industries such as mining and petroleum.

The commission's public philosophy was a commitment to federal responsibility and its policy paradigm detailed the means for its carrying out. It amounted to a Canadian version of the then internationally supported theories of economic management and the welfare state with a large debt owed to J.M. Keynes and Australian students of federalism. But the commission's philosophy and paradigm were also resolutely national and therefore original; tailored to the needs of a pioneer economy and a federal state, the report fully reflected the world-view of an ascendant community of policy intellectuals who believed that federal responsibility for high employment, national standards and regional equalisation should be combined with provincial jurisdiction in social programming (Smiley 1962). A new political middle ground was revealed; both business and labour representatives agreed that pragmatic "social bargaining" could begin, framed by the commission's public philosophy and organised by its policy paradigm (Thompson 99). The International Labour Organization (ILO) recognised the achievement; in a world turned upside down by Depression, war and fascism, the ILO wrote, the Rowell-Sirois report:

> is of far-reaching significance at the present time as an eloquent reaffirmation of the democratic faith in sustained social progress based upon an economic reorganisation which respects human freedom in spheres "which are primarily cultural and social".... The Report, though not written for such a purpose, is therefore one of the most significant contributions yet made to the discussion of European and international reconstruction after the war. It is also of outstanding importance as a study of the problems involved in the distribution of legislative authority in respect of labour and social problems under federal systems of government and, as such, deserves to be widely known in other federal countries. (*International Labour Review* 347)

Of course, at first the commission's breakthrough proved too much for the brokerage political system. The King Liberals delayed the commission's public release until after the 1940 election, and the 1941 intergovernmental conference, convened to discuss implementation, only repeated earlier intergovernmental stalemates (Bradford 43-51). The emergency of war finance, however, supplied the necessary openings for Canada's policy intellectuals to move into positions of influence to direct wartime and later post-war economic and institutional change. They continued to push and prod the federal Cabinet and their provincial counterparts towards an appreciation of the state's positive role and the importance of economic research (Firestone 5-12; Mackintosh, 1965, 14-19). Bureaucratic leadership in intergovernmental negotiations for new social programmes was soon reinforced by the increasing sophistication of macroeconomic forecasting and management. While Canada's Keynesian revolution never aimed to "modify in any comprehensive way the

direction of economic activity," it was apparent by 1950 that the federal government's role in managing capitalism and in redistributing resources through the institutions of federalism had been transformed (Mackintosh, 1950, 319). Though conceived by technocrats and incremental in its advance, this new policy framework led an emerging post-war consensus. Federal political parties repositioned themselves as the most competent sponsors of the ideas, and the bureaucrats "delivered the policy goods" necessary for a durable socio-political realignment. Sustained high employment buttressed by social stabilisers met the concerns of workers and farmers, while tax relief and investment incentives did the same for business. All the provinces eventually joined the welfare state regime, with the notable exception of Quebec. There the provincial government established its own National Policy royal commission (Tremblay Commission) in the 1950s to express its opposition to the federal public philosophy and policy paradigm. None the less, W.A. Mackintosh aptly summarised the dynamics of the federal policy innovations:

> These developments have come as the result of a relatively long background of thinking. The approach was one recommended in 1938 by the National Employment Commission, in 1940 by the Royal Commission and later by the Federal Government itself in its reconstruction proposals. (Mackintosh, 1953, 428)

Douglas Owram has noted that assessment of the commission's intellectual legacy is complicated by the fact that the philosophy "put forward in these writings is so standard now that it is difficult to realize the degree to which the generation of the 1930s rewrote the history of the Confederation era and reinterpreted the meaning of Confederation itself" (Owram 245). In fact, a review of the commission's scholarly impact points to variation across the main disciplines involved. Certainly, key contributors to the commission's research and writing such as Donald Creighton, J.A. Corry and Mackintosh, moved on to shape the post-war evolution of English-Canadian history, political science and economics, respectively. Yet, the influence in history and political science is more pronounced and sustained than in economics. In historical writing, the commission's public philosophy informed a new generation of North American-centred accounts of Canadian development focussing on the tensions among continental, national and regional impulses (Lower; Morton; Fowke). In political science, the commission's materialist approach to political institutions inspired a major research tradition tracking the dynamics of Canadian federalism and national development policy from the perspective of both Ottawa and the provinces (Mallory; Richards and Pratt; Smiley, 1986). Indeed, it could be argued that the commission's analysis of state structures supplied Canadian political science with an institutionalist bulwark against uncritical importation of both American behaviouralism in the 1960s and European neo-Marxism in the 1970s. It is also notable that the commission's pioneering statistical work in formulating a federal-provincial national

accounts framework established an empirical foundation for systematic study of federal public administration and national public finance (Corry 106).

In the discipline of economics the commission's legacy is more ambiguous, even limited. As Robin Neill, the historian of economic thought, has described, post-war economics in Canada, like everywhere else, universalised itself by adopting as the intellectual standard highly abstract, mathematical models that were in many ways the antithesis of the commission's historical political economy. The staples approach, with its close attention to institutions and the interplay between economic structure and political agency in making history, fell out of favour. Historically inclined, institutionally oriented economists such as W.T. Easterbrook and H.G.J. Aitken could not be ignored, but they worked at the discipline's margin (Easterbrook and Aitken). In this sense, the Rowell-Sirois Commission's policy brief in favour of Keynesian demand management and its abiding belief in the public benefits of instrumental expertise cleared the path for takeover by what Neill terms "operationally viable economics" whereby "history was being crowded out of economics departments to make room for Keynesians, macro model builders, mathematicians, and statisticians" (Neill 163).

Interlude and Impasse: The Studied Ambiguity of the Royal Commission on Canada's Economic Prospects

If the first decade following the war was one of prosperity and consensus, the second one was different both in its economic conditions and its policy discourse. Conflict erupted over some of the basic post-war assumptions, triggered by the sudden economic downturn of 1953-54, followed by a protracted recession which began in 1957 and extended into the early 1960s. The sliding performance in employment, growth and productivity exposed three underlying structural economic problems. First, there was the potential loss of national control over essential investment flows through extensive foreign ownership. Second, there was pronounced regional unevenness of economic activity. And third, there was the continued reliance on staples exploitation, a potential long-term vulnerability compounded by the absence of strong linkages between the country's rich natural resources and secondary manufacturing. Concern about each of these matters crystallised in the second half of the 1950s. A decade of consensus, even complacency, gave way to renewed debate about national economic and social policy.

As in the Great Depression, however, the Canadian state and political system was not prepared to meet these challenges with much creativity or intellectual vigour. By 1955 it was evident that political parties, social interests and academic researchers had all made their accommodations with the Keynesian paradigm. These actors relied on the technical expertise of the bureaucracy to manage the

economy and failed to marshal their own resources for idea generation. The always limited capacity for creative thought in brokerage party organisations ossified further. Observing the complacency of the Liberal Cabinet, one contemporary critic remarked that "No government could get away with this sort of thing if political philosophy and policy were debated at the grass-roots of society with the help of broadly-based, pervasive party organizations" (Mowbray 16). At the same time, interest groups sought influence, not through shaping the terms of public policy debate, but through insider access and narrow lobbying. For their part, social scientists increasingly adapted their own scholarly agendas to buttress the new consensus: economists refined the Keynesian forecasting technology while political scientists explored strategies for ensuring the accountability of the "administrative state" that grew around the welfare state paradigm (Lamontagne 151-52; Clement and Drache 14-17).

It followed that social learning about national policy choices in the first post-war downturn was again routed through the royal commission process (Bradford 16). Certainly, the bureaucratic officials whose careers were devoted to embedding the post-war policy paradigm were not well positioned to lead change. As one scholar of the federal bureaucracy put it, the "atmosphere in the national capital began to change drastically" and the "unthinkable happened: doubts arose concerning the mandarins" (Morgan 37). The Ottawa insider Bruce Hutchison announced that the political system had not "produced a single idea of importance in ten years" and that a royal commission could "write our most important state paper since the Durham Report and deeply alter the future not only of party politics but of the Canadian state." Parallels were drawn at the time between the legacy of the Rowell-Sirois Commission and the potential of another large-scale inquiry to revisit and renew the earlier framework for progress.

The idea for the commission came from Walter Gordon, the management consultant with close Liberal party connections who had earlier served on a federal inquiry. By 1955, Gordon had reached his own strong conclusions, on the one hand, about the need for new policy thinking in Ottawa and, on the other hand, about the dim prospects for such breakthroughs coming from within the party-state apparatus. Not surprisingly, the decision to create the commission triggered controversy in the Liberal Cabinet. C.D. Howe, the political architect of Canada's post-war economic boom, rejected out of hand the need for such an inquiry, especially one associated with Gordon whose views on key policy matters of foreign investment and ownership, taxation and commercial policy, were known to diverge from the received economic policy wisdom (Kent, "Mr Howe" 21). None the less, the government appointed Walter Gordon in June 1955 to chair the Royal Commission on Canada's Economic Prospects. With a broad mandate to analyse everything relevant to Canada's long-term economic future, it was to recommend

policy changes to ensure "progress in standards of living" and meeting "expanding requirements for industrial and social capital" (Canada, 1958, 471-2). Gordon was joined by four other commissioners from different regions of the country, all with solid academic or business credentials. Following the Rowell-Sirois model, the commission held extensive public hearings but, also like its predecessor, the presentations were rather marginal to the report creation. Interest groups and the provinces complained that an unrealistic time frame made representation difficult, and the commissioners could draw no unifying view of policy priorities or visions of the future from the public hearings (Azzi 42, 43).

Such problems or divisions did not beset the commission's researchers. It was a unified team directed by four economists drawn from government departments, academia and industry. Notably, expertise was recruited from only one discipline, economics, reflecting the post-war convergence of ideas and politics whereby "positive economics" guided the "positive state." In effect, the Gordon Commission's focus on Canada's "future prospects" issued a challenge to the post-war economics profession to extend their analytical tools and advisory horizons beyond the annual budget timetable of Keynesianism to forecast long-term (25-year) trends in productive factors and capital formation, and to disaggregate their data to the micro level of sectors and industries. The research resources provided by the Gordon Commission allowed for intellectual stocktaking and the revitalisation of the post-war economics profession in Canada (Daub 47-48).

What then of the content of the Gordon report? Like that of the Rowell-Sirois Commission, it moved on two levels, public philosophy and programmatic ideas. In the case of the former, the Gordon Commission's ambitions were modest. Far from producing its own sweeping reconstruction of national purpose, the commissioners located their writings within the grand ideas of the earlier commission; that is, they embraced the given National Policy tradition of federal government activism, designed to correct for market failures that could jeopardise economic development and political cohesion. Favourable reference was made to the tariff and infrastructure projects of the nineteenth century and to Keynesian policy after the Second World War.

In its policy paradigm, however, the Gordon Commission departed from its predecessor in two significant ways. First, its primary concern was not with issues of social redistribution, income stabilisation and national unity but rather with economic development, wealth creation and Canada's place in the continental and international setting. From the perspective of the embedded Keynesian welfare paradigm, a host of unfamiliar policy questions were thus introduced on such issues as capital formation, technological innovation, labour force development, export promotion and resource processing.

In a second departure from the Rowell-Sirois package, the Gordon Commission

was an inquiry divided; while the report attempted to present intellectual consensus it was apparent that two quite distinct policy paradigms were advanced (Kent, "Two Purposes" 15; Bradford 61-66). The first of these was optimistic about Canada's development prospects. It forecast continued rapid growth for the Canadian economy with little change in its underlying structure. Market forces would deliver smooth marginal adjustments between sectors (and regions), such as from agriculture to manufacturing and service industries, with transitions eased by steady growth. It critiqued rising currents of nationalism and protectionism and was unsympathetic to state intervention beyond Keynesian finetuning of demand. It downplayed fears of foreign ownership on the grounds that the benefits far outweighed the costs and that in any event there was no feasible policy that could lessen continental economic integration. This policy paradigm was "liberal continentalism."

The second policy paradigm departed from liberal continentalism in all essentials. It was much less optimistic about Canadian economic prospects in the absence of stronger state intervention into the economy's supply side. This paradigm recast the narrative from policy continuity and largely self-correcting markets with the observation that "structure of the Canadian economy can raise economic problems and imposes some limitations on Canadian economic policy" (Canada 1958). Issues barely visible within the Keynesian paradigm – about nationality of economic control and ownership, the regional distribution of investment and the innovative potential of secondary manufacturing – were tackled in the report's final four chapters. A new role for the state in the economy was conceptualised involving different uses of familiar policy instruments and the invention of some new ones. Specific recommendations included, making accelerated depreciation allowances conditional, for foreign firms, on their compliance with regulations stipulating Canadian participation in equity stock and senior management; mandating disclosure of financial details pertaining to branch plant-parent company operations in pricing and exporting; lowering of withholding tax on dividends paid to non-resident investors; measures to ensure further domestic processing of mineral and energy resources; relaxing competition policy to rationalise the structure of secondary manufacturing; building up domestic venture capital to replace foreign holdings by modifying restrictions on Canadian banks and insurance companies; and opposing tariff reductions or continental free trade. Also proposed were new state structures such as a Department of Industry, an economic advisory council, a national development corporation and an agency for regional capital formation and infrastructure projects. This paradigm aimed for greater federal policy capacity to correct the Canadian economy's continental and regional imbalances or distortions. As such, it was "interventionist nationalism."

The report's two paradigms reflected the divergent visions and strategies that separated Walter Gordon from his research team. Gordon was by far the most

influential commissioner; in the initial planning stages he decided priorities within the government mandate, recalling later that this meant "almost all the data collected and the opinions expressed in the briefs submitted at the public hearings fitted into some section of a great, predetermined blueprint" (Gordon 62). And when it came time to turn the blueprint into a report, he wrote the controversial chapters on foreign investment and commercial policy, variously ignoring or overriding the concerns or objections from the research team (Azzi 57; Young).[10] Gordon viewed the commission as an opportunity to challenge prevailing policy thought and practice and to legitimise alternative forms of state-economy relations that may be appropriate in countries, such as Canada, existing in a subordinate relationship to the American industrial powerhouse (Gordon 62; McCall Newman 22). Here, Gordon's interpretation of Canada's economic problems paralleled unorthodox currents in international scholarly debates triggered by prominent dissenting political economists of the 1950s such as Albert Hirschman and Alexander Gerschenkron (Hirschman; Gerschenkron). These writers remained outside the neo-classical mainstream, continuing to analyse the historical and institutional circumstances of economic "backwardness" or "dependency" that distinguished the development trajectories of nations. Divergence not convergence was the central message from the dissenters, and they resisted any trend towards application of universal economic models to national policy problems.

This perspective was not represented in the Gordon Commission research team, in spite of the views of its chair. Its primary intellectual concern was to refurbish the Keynesian model and classical trade theory, updating their applicability to Canadian policy making. The research economists did not question the fundamental soundness of these doctrines nor their relevance in Canadian conditions. To the contrary, they believed that continued advancements in forecasting technology buttressed by more refined economic theory offered state officials an authoritative policy framework not simply to manage cyclical flows in aggregate spending but to facilitate the structural transformations necessary for productivity growth.

Thus, the significance of the Gordon Commission resided in its duality; it endorsed both the conservatism of the established Keynesian macroeconomic consensus while also calling for bold experimentation with microeconomic ideas. When the Gordon Commission's preliminary report was released in 1956 it was said the commissioners had "rushed in where politicians fear to tread."[11] A few weeks later, George Mowbray wrote that it had "stirred up more comment than any domestic event since the war" (Mowbray 15). Twenty years later, Robert Fulford reflected that the commission had "set the tone and the terms for a debate over the Canadian economy that has raged ever since" (Fulford 18).

Indeed, the Gordon Commission defined the terms for a struggle between

opposed schools of policy thought. In the 1960s and 1970s, the battle of ideas between the interventionist nationalists and liberal continentalists raged inside the civil service where different departments gravitated to one or the other paradigm, and within the governing parties where factions squared off in the cabinets of Prime Ministers Diefenbaker, Pearson and Trudeau (French 1980). Unable or unwilling to choose between alternatives, for two decades successive federal governments delivered incoherent and reactive economic management. Lacking intellectual focus and diffusing bureaucratic resources, they were unable to reverse the decline in all key economic performance indicators.

At the same time, the Gordon Commission was an intellectual catalyst in the social sciences (Bradford 83-93). Its launching of divergent policy paradigms inspired further empirical research leading to conceptual innovation. In the case of liberal continentalism, scholars of industrial organisation surveyed the structure and practices of branch plants and domestic firms with the intention of substantiating the commission research team's general claim about the gains to host countries of foreign direct investment (Safarian; English). Related historical analysis of federal tariff policy concluded that its costs in per capita income and economic efficiency outweighed any benefits in terms of industrial employment or population growth (Dales 1966). These findings then informed the theoretical case advanced by the economists such as Harry Johnson and Paul Wonnacott in favour of greater continental integration and market-driven industrial policy. At the same time, Johnson and Albert Breton mounted political critiques of economic nationalism conceptualising it as a kind of regressive public good paid for by the nation as a whole but concentrating benefits on middle-class state officials and protected domestic business elites (Johnson; Breton). This liberal continentalist school of thought acquired an institutional base for its version of post-Gordon Commission ideas in a network of policy think-tanks, beginning with the Private Planning Association in the 1960s and extending into the 1970s and 1980s through the Economic Council of Canada and the C.D. Howe Institute.

Paralleling this refinement of liberal continentalist theory, political economists who espoused interventionist nationalism focussed on the multinational corporation as a strategic economic actor able to constrain, even usurp, the political authority of nation-states. Revisiting the theories of Karl Polanyi, Abraham Rotstein stressed the need to build institutional counterweights to limit the socially corrosive effects of market relationships as these were now profoundly shaped by multinational corporations (Rotstein 351-57). Stephen Hymer detailed the profit maximising strategies of these enterprises, revealing the substantial gap between the corporate interest and the host country public interest, and concluding that Canada's problem, lay "in too little nationalism rather than too much" (Hymer 191-202). Here, non-economists such as George Grant and John Porter elaborated a

Ottawa's policy leadership in the economy and the federation. Commissioners were reminded that the federal government had "primary responsibility for managing the national economy," and that "Canadian economic policy must be assessed in the context of its relationships to Canadian political and economic independence and to the broader aspirations of Canadians as must be reflected in the responsibilities of governments" (Canada, 1985, Vol. 3, 563). In other words, as many commission watchers have observed, the prime minister was seeking a new vision to advance a traditional goal of federal development policy leadership in relation to the provinces, the private sector and the United States.[12] The commission, however, was evidently thinking along other lines. They took as their departure point the "development prospects" rather than the "economic union" frame of reference, and they proceeded in a decidedly liberal continentalist and provincialist direction.

Responding to this public philosophy, Anthony Scott summarised a major scholarly review of the commission's work with the prediction that it would be "remembered as having attempted to turn the tide of the two previous inquiries" (Scott 10). Indeed, the Rowell-Sirois Commission had proclaimed a large role for the federal government in using macroeconomic policy to correct for systemic market failures in income stabilisation and distribution. The Gordon Commission, certainly in its interventionist nationalist discourse, followed similar reasoning in recommending federal microeconomic measures to steer investment and structure the national economy. The Macdonald Commission rejected and replaced this view of the state's active role in the economy and society. As Scott concluded, "the Commission does not recommend new tasks for governments in the market economy, but the opposite; it does not recommend an extension of the scale of the welfare state, but a reorientation of its transfers; and it does not undermine the responsibilities of the provinces, but contemplates adding to them" (Scott 10).

Market liberalisation, limited government, individual responsibility and decentralised federalism were the cornerstones of the Macdonald Commission's public philosophy. Governments were destined to fail in many of their interventions for a host of reasons, ranging from international constraints to gaps in policy knowledge, to the primacy of electoralist criteria in policy decisions, which expanded the state's obligations at the same time that they undermined its capacity for innovation. The modern state was imprisoned by its own activism: "ad hoc policy development, unintended cumulative consequences of multiple separate initiatives over time, and the resultant rigidity – characterise many areas" (Canada, 1985, Vol. 1, 57). Further, these general obstacles to coherent economic intervention were compounded by the complexities of federalism, which the commissioners concluded exacerbated the constraints on Ottawa's policy leadership. Canada's future could be secured only through rapid and efficient adaptation to global market imperatives, not national

state efforts to mediate, much less resist international signals. The main consequence of "government involvement in the economy," the commissioners asserted, was to "generate disincentives, retard flexibility, and work against the desired allocation of resources" (Canada, 1985, Vol. 1, 50).

Guided by this public philosophy, the commission invented a policy paradigm that would address the "very fabric of the nation," this involved an interrelated set of changes in trade, industrial macroeconomic, industrial and social policy (Canada, 1985, Vol. 1, 53). The commissioners declared, "Our basic international stance complements our domestic stance" (Canada, 1985, Vol. 1, 50). Free trade with the United States was the foundation of the strategy. It would force a sweeping shift in National Policy priorities away from the Keynesian concern with domestic economic stability towards external economic adjustment. In industrial policy, traditional instruments of national development, ranging from high technology grants, domestic content regulations, to regional industrial subsidies, would be restricted by new continental rules rooted in the principle of national treatment for foreign investment.

In macroeconomic policy, the commissioners argued that preoccupation with short-term fine tuning for high employment should be replaced by a longer-term focus on price stability and deficit reduction, both of which were deemed essential to the country's international competitiveness (Canada, 1985, Vol. 2, 291-321). In turn, demand management was no longer to be the means of lowering unemployment; instead, reduction of the "non-accelerating inflation rate of unemployment," or NAIRU, depended on fundamental reform of the income security system to remove "adjustment-retarding policies" that created disincentives to work, and worker adjustment to market forces. Here, the commission proposed an overhaul of unemployment insurance, greatly restricting its eligibility requirements, benefit levels and regional stabilisation purposes. Savings from this rationalisation would then be diverted to adjustment supports such as retraining and mobility allowances for selected categories of workers willing to "undertake adaptive behaviour" (Canada, 1985, Vol. 2, 617).

Again motivated by the concern for economic efficiency, labor market flexibility and work incentives, the commissioners recommended replacement of a host of federal social transfers to individuals and provinces, including the family allowance and the Canada Assistance Plan. In their place would be a benefit theoretically available to all Canadians but in practice income tested and conditional on the recipient's "active participation in the labour force" (Canada, 1985, Vol. 2, 798). The break with universal benefit entitlement based on social citizenship was clear. Moreover, the commission argued that none of their social policy changes required new public spending, leaving the proposed adjustment assistance and income supplement at levels perhaps too low to realise the "active" labour market vision.

missions in Canada bring into focus their political significance as sites of discursive struggle, with public policy decisions of real consequence at stake. Commission reports that join public philosophy to policy paradigm necessarily make choices of a fundamental sort about whose identities and interests will be represented in powerful narratives about national development. Indeed, the legacy of these major inquiries is amply evident in the big ideas that have really mattered in governing this country. Our analysis points not simply to a revised understanding of the functionality of these commissions in steering national development but equally to the need for such reconsiderations to include examination of how commissions go about writing their reports. To what extent do commissions balance opportunities for expert influence with citizen participation in coming to public judgement about alternative futures? It is clear that Canada's era-defining royal commissions have been, by design, largely the domain of elites, whether in research or business communities. It is time to consider how this important mechanism of learning and innovation might contribute to reasoned public policy and better democracy.

Notes

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1. Canada, *Northern Frontier, Northern Homeland: The Report of the Mackenzie Valley Pipeline Inquiry*, Vol. 2 (Ottawa: Queen's Printer, 1977) 223.
2. Jane Jenson, "Commissioning Ideas: Representation and Royal Commissions," *How Ottawa Spends: Making Change*, ed. Susan D. Phillips (Ottawa: Carleton University Press, 1994) 47, 48.
3. Law Reform Commission of Canada, *Commissions of Inquiry* (Ottawa: Minister of Supply and Services Canada, 1977) 11.
4. Max Weber, "The Social Psychology of World Religions," *From Max Weber: Essays in Sociology*, eds. H.H. Gerth and C. Wright Mills (New York: Oxford University Press, 1946) 280.
5. See Neil Bradford, "Innovation by Commission: Policy Paradigms and the Political System," *Canadian Politics*, 3rd ed., eds. James Bickerton and Alain-G. Gagnon (Peterborough: Broadview Press, 1999) 541-64.
6. For an alternative interpretation of social movement mobilization and influence in policy fields other than economic development, such as official languages and multiculturalism, see Leslie A. Pal, *Interests of State: The Politics of Language, Multiculturalism, and Feminism in Canada* (Montreal-Kingston: McGill-Queen's University Press, 1993).
7. For detailed discussion of the proposals and their fate, see David Fransen, "Unscrewing the Unscrutable: The Rowell-Sirois Commission, the Ottawa Bureaucracy, and Public Finance Reform 1935-41" (PhD diss., University of Toronto, 1984) 14-30.
8. For example, Bank of Canada official Alex Skelton referred to "the general public disgust over the present situation" and feared that the "failure of our democratic system to solve the existing stalemate" could lead to "a dictator form of government." "The Case for a Royal Commission," Bank of Canada Archives, Research Department. Vol. 2B-400, 6, 8.
9. W.C. Clark, cited in Neil Bradford, *Commissioning Ideas: Canadian National Policy Innovation in Comparative Perspective* (Toronto: Oxford University Press, 1998) 35 (Emphasis in original.)
10. National Archives of Canada, RG-33-35, Vol. 2, File: Material sent to Commissioners, Memorandum from Gordon to Commissioners, 28 August 1957.
11. "Gordon Report Delights Opposition" *Toronto Daily Star* (12 January 1957).
12. See Anthony Scott, "The Macdonald Report: The Reviews in Review" and David W. Conklin and Thomas Courchene, "New Insitutions For A Market Economy" both in the special issue devoted to the Macdonald Report of *Canadian Public Policy* XII supplement, (February 1986); and Peter M. Leslie, *Federal State, National Economy* (Toronto: University of Toronto Press, 1987) 171.
13. For detailed assessment of the policy performance of these governments and their shared neo-liberal paradigm, see Andrew F. Johnson and Andrew Stritch, *Canadian Public Policy: Political Parties and Globalization* (Toronto: Copp Clark, 1997).
14. G. Bruce Doern and Brian Tomlin have described the initial private reaction of Prime Minister Mulroney to the commission's report: "The volumes of the report arranged on his desk, Mulroney spread his hands over them and told officials present in his office that summer day that he would use the report to beat John Turner in the next election." G. Bruce Doern and Brian Tomlin, *Faith and Fear: The Canada-U.S. Free Trade Story* (Toronto: Stoddart, 1991) 291.
15. Minister of Finance, *Budget Speech* (Ottawa: Supply and Services Canada, 1986) 12.
16. For strong statement about the implications of globalisation and neo-liberalism for social cohesion, see The Standing Senate Committee on Social Affairs, Science and Technology, *Final Report on Social Cohesion* (June 1999).

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