THE PUBLIC SECTOR IN AN AGE OF AUSTERITY

The Public Sector in an Age of Austerity

Perspectives from Canada's Provinces and Territories

Edited by

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INTRODUCTION

The Permanent Unequal Union: Canada's Provinces and Territories in an Era of Neoliberalism

BRYAN EVANS AND CARLO FANELLI

The decades following the end of the Second World War witnessed the high-water mark in the construction of the Canadian welfare state. As the chapters that follow make clear, the provinces – often through federal cost-sharing arrangements – led this transformation in the public economy. The resulting expansion in public goods and services saw total provincial government spending rise from 6.4% of gross national product (GNP) in 1955 to 16% in 1974 (Stevenson 1989, 80). Canada's postwar federalism reflected a path of policy innovation and province building that emerged from an economy characterized by deep regionalization and the increasingly ambitious provincial states with responsibility over key accumulation policy domains such as natural resources, labour, transportation, and education. A significant fiscal policy role can be added to this mix. Obviously, other important policy areas not necessarily tied to accumulation strategies fell, in whole or in part, under provincial jurisdiction owing to the makeup of the Canadian constitution. For instance, the provinces and – initially excluding but slowly expanding to largely include – the territories were granted responsibility for social welfare, health care, and education, as well as jurisdiction over natural resources and employment standards legislation. On the other hand, the federal government oversaw concerns related to the national interest, equal treatment and opportunity, equalization payments, international trade (which brought resources under federal jurisdiction), and Indigenous concerns.

The three decades following the Second World War were formative to the creation of the Canadian version of the golden age of Keynesian-inspired capitalism. That paradigm began to unravel in the 1970s as the accumulation of capital stumbled and entered into a prolonged period of transformation. The provinces in particular, given the policy and program areas for which they were responsible, would by necessity become critical sites of struggle and contestation over the rolling out of what would eventually come to be called neoliberalism. At a basic theoretical level, neoliberalism can be understood as a policy framework characterized by strong private property rights, free trade, and unfettered markets backed by a state that creates and preserves the institutional arrangements conducive to such practices. The federal structure of Canada, together with the highly regional differentiation of the provinces' political economies, meant that this process would be uneven and fragmented.

While the provinces share certain institutional similarities as a result of their common Westminster parliamentary tradition and are allocated the same responsibilities by the constitution, each is also distinctive. Each jurisdiction has been shaped by formative political events, class structures and relations, demography, and economy. Of course, the territories are most distinctive as a consequence of their constitutional status as creations of the Government of Canada. This constitutional reality places significant constraints on their capacity to act autonomously, while the presence of comparatively large Inuit, Métis, and First Nations populations and their quest for autonomy and the settlement of land claims are central political and economic drivers. Thus, the existence of two levels of government in Canada, characterized by a generally distinct division of responsibilities in which the provinces – though much less so for the territories – possess considerable autonomy over politically and economically important policy domains, provides the structural basis for a variety of inter-regional, inter-sectoral, and inter-class conflicts.

It is in this context that the ascent of neoliberalism across Canada can, in historical perspective, be characterized as an uneven process. Canada was hardly immune from the economic crisis of the 1970s, which rattled both Keynesian economic policies and the more general political and ideological arrangements that composed the postwar capital-labour accord. The federal construct of the Canadian state meant that there were then ten provincial and two territorial political systems expressing regional differences in party competition and along ideological fault lines. Moreover, in the struggle for national unity, social policy innovations were a potent "political and ideological weapon … in the struggle for 'national unity'" as they were a means of making a remote Ottawa relevant to the people of Quebec (Béland and Lecours 2007, 410). Social programs, whether purely the domain of the federal government or significantly funded through transfer payments to the provinces (and later, the territories), became the policy ties that bound the federation together. Through the 1970s and 1980s, consequently, more or less explicitly neoliberal governments came to power in various provinces (Manitoba, Saskatchewan, British Columbia), and the Trudeau and Mulroney federal governments wobbled, albeit during distinctly different moments and issues, with respect to their fidelity to the Canadian welfare state and the Keynesian paradigm.

There was, however, no coherent, pan-Canadian consensus on proceeding with a wholesale dismantling of the more popular and politically valuable programs. Both Progressive Conservative prime ministers Joe Clark (1979–80) and Brian Mulroney (1984–92), for example, declared their support for state-financed health care, although the approach to social policy shifted through the Mulroney era "from a more or less cooperative style in intergovernmental relations to one marked by a climate of contested and coercive federalism in which the federal government, often unilaterally, 'off loaded' programs and withdrew support from provincial initiatives in health and social services" (Prince and Rice 2007, 164). Compared to the Chretien cuts of 1995, though, the Mulroney government appeared generous (Prince and Rice 2007, 176). From a global perspective, the decade of the 1980s saw a major reconsideration of the postwar social contract, and Canada was in no way immune from that. In fact, in some respects Canada's provinces led the punctuated and uneven transition to neoliberal rule having moved from the margins of political practice to new orthodoxy across the provinces and party lines by the mid-1990s.

Initially, the Great Recession mobilized an unprecedented intervention by major governments across the globe. "While Canada's federal Conservative government engaged in stimulus measures in its 2009 and 2010 budgets to bring the economy out of the financial and economic crisis, most of these measures were time-limited to two years only"; however, during the years of Prime Minister Harper, the government "strongly promoted contractionary fiscal policies both domestically and internationally, with successive spending cuts at the federal level and advocacy of fiscal austerity through the G20" (Sanger 2013, 61). Canada's then-minority federal Conservative government was an outlier in this regard, having first refused to ramp up public expenditures before being forced by threat of being replaced by a Liberal–New Democratic coalition to make some policy changes. The intense and unexpected recovery of Keynesianesque countercyclical measures caused one academic commentator to declare that "Neoliberalism and monetarism are dead" (Collignon 2008, 8). But this was a vast overstatement. Instead, a financial crisis located primarily within the banking sector was reframed as a problem of public spending. Countercyclical fiscal policy was rapidly replaced, as the predominant "exit strategy" of expansionary austerity came to dominate the policy arena (Albo and Fanelli 2014). And so, the Great Recession has become not the graveyard of neoliberalism but rather the relaunch of a more aggressive version of the neoliberal project characterized by a "political strategy of class war undertaken by the financial and political elite to hold on to the wealth and power they accumulated during the decades of market liberalism" (Quiggin 2010, 233).

In the years following the Great Recession, the Canadian narrative has been dominated by the thesis of Canadian exceptionalism: the belief that Canada fared much better than other countries and that the damage done from the recession was shortly thereafter repaired. When stacked up against the empirical evidence, however, we see this exposed as a massive canard. As research by Jim Stanford (2012) has shown, when adjusting for population growth, Canada has yet to recoup the pace of employment creation and GDP loss experienced between 2008 and 2010. Moreover, when comparing key indicators of Canada's economic performance with its industrialized peers in the Organisation for Economic Co-operation and Development (OECD), Canada ranked sixteenth in real GDP growth and seventeenth in terms of the change in the employment rate out of thirty-three reporting countries. Far from being a world leader, then, Canada's national performance can at best be described as mediocre. And now that neoliberal orthodoxy has been restored at the federal plane, a simultaneous deepening of this process has often been occurring at the subnational level.

SUBNATIONAL STATES: THEORETICAL CONSIDERATIONS

A subnational state is defined as "the arena of political activity concerned with the relations between central political institutions in the capital city and those sub-central political organizations and governmental bodies within the accepted boundaries of the state" (Tarrow 1978, 1–2). Over the past several decades this "second tier" of government has emerged as a site of significant activity and policy innovation that has given rise to various considerations seeking to explain the phenomenon of "multi-level governance" (Bache and Flinders 2004), the "entrepreneurial state" (Eisinger 1988), and the "region state" (Ohmae 1993). Perhaps more specifically for the purposes of this volume, we can also refer to "meso-government," which is to say, "an intermediate level of government between the centre and the basic municipal or communal level" (Sharpe 1993, 1).

The devolution and decentralization of roles and functions from the central to subnational states figures prominently in the playbook of neoliberal state structuring. This is about the offloading of central government responsibilities, but it also situates subnational units as "important partners in promoting exports and attracting foreign direct investment. Multinational corporations have also taken notice of the ability of subnational states to affect global flows of goods, services and capital. Subnational states have been explicitly incorporated into international economic agreements" (Paul 2002, 468). There are two important elements here. First, subnational states are acknowledged as providing a strategic role in attracting investment capital. Second, on the other side of this coin is a recognition of the need to constrain the legal and policy capacity of the subnational state to regulate capital and limit state agency and autonomy to engage in policy innovations that constrain market actors. In other words, subnational states have at times demonstrated the will and capacity to present a certain degree of resistance to neoliberalism (Darel 2002, 484). The World Trade Organization and the US Supreme Court, among others, have exercised their power to address concerns of both national states and capital by reining in the latitude of subnational states to exercise autonomy (Paul 2001, 484). In this respect, the two predominant state-rescaling theses present a paradox. One contends that the state is shrinking or is in the process of being "hollowed out" as powers, functions and resources are transferred to supranational and subnational institutions and states. The second thesis, in contrast, contends that "government authority is being eroded at the subnational level, while the national level is being reformed to accommodate global economic interests" (Warner and Gerbasi 2004, 858). In actuality, what we observe are elements of both working in parallel. And given that Canada is among the most decentralized federal states in existence, such developments hold significant implications in the Canadian context where the federal structure allows a cascading down of restructuring and constraint as well as allowing for endogenous political forces within each province to respond and adapt to the constraints imposed upon them.

This "resurgence of regions" perspective is theoretically housed within the "New Regionalism" school of economic geography, which is primarily concerned with "the significance of the region as an effective arena for situating the institutions of post-Fordist economic governance" (MacLeod 2001, 807). The term "post-Fordist" refers to the nationally based regimes of production characterized by manufacturing, a significant and legitimized trade union presence particularly in industrial production, and a significant state role in regulation. These more locally scaled innovations and interventions are where class alliances and hegemonic social blocs are formed as "the contemporary subnational state is involved in the promotion of transnational liberal production and circulation as well as perpetuating the remnants of Fordist consumption policies … This 'entrepreneurial state' … is much more an autonomous agent than it ever was during the Fordist period" (Paul 2002, 470). This subnational resurgence can be understood as an intellectual/theoretical veneer to what is essentially an ideological movement serving to deepen a "culture of austerity." The growing intellectual influence of New Regionalism can be less attributed to any genuinely explanatory power that it may possess; rather, its value is in fronting as an "instrumental utility to powerful industrial, state and social constituencies" (Lovering 1999, 389). Through the 1970s and 1980s, particularly in Western Europe and the United States, the emergence of a "meso" level of subnational government as a significant policy actor required some explanation. The period since 1970 has been one of significant change in subnational state institutions including "territorial reorganization, changes in function, changes in money-raising and spending powers, and the expansion of local economic development activity" (Pickvance and Preteceille 1991, 1). These were decades coterminous with the end of postwar prosperity and the Keynesian state shell, which "housed" the paradigm as the period witnessed a "return of mass unemployment … accompanied by new ideologies, specifically neoliberalism, regarding the role of the state" that brought into question the "use of public spending to run the economy at full employment, and to finance a welfare state" (ibid.).

Neoliberalism provides the "ideological software" necessary for states to construct globalization and in doing so imposes processes for state restructuring and rescaling (Peck and Tickell 2002, 380). This is not, to be clear, a "hollowing out" of the state leading toward a diminished state either in terms of capacity or size. Rather, it is an expression of a simultaneous, and paradoxical, roll back (constraint) and roll out (embedding and creation of new institutions) of state functions as a means of reorganizing the state apparatus as it adapts to the context of neoliberalizing globalization. This process of restructuring "involves complex changes in the relations between different levels/scales and branches/departments of the state apparatus, such that the relationship between the form and functions of the state is often altered in quite fundamental ways" (Peck 2001, 447). As an example, devolution/decentralization of power, functions, and resources from the central national state to subnational states is not simply a matter of "resiting" or "relocating" but involves a qualitative dimension of changes in "regulatory responsibilities, administrative capacities, financial control, political power" (ibid.). What is at work is the construction of "the neoliberal constitution of competitive relations between localities and regions" (Peck and Tickell 2002, 386) where responsibility but not power is effectively "dumped" upon subnational states.

A neo-Schumpeterian frame, first suggested by Ohmae, where the economy is characterized by a process through which firms – and now also state institutions and regulatory regimes – are created through innovation in technology or management and die as those same innovations become obsolete as the context changes, views the nation-state as an increasingly dysfunctional actor. "On the global economic map," Ohmae (1993, 78) writes, "the lines that now matter are those defining what may be called 'region states'" and it is at this level where linkages to the global economy are being forged and in so doing surpassing the national state. Wolfe (1996, 220) suggests that the emergence of the region state is a function not solely of "the sheer need to fill the policy gap left by the withdrawal of national levels of government" but also "the capacity of regional levels of government to foster both the industrial and policy climate hospitable to innovation in the emerging paradigm." Various American scholars have attempted to explain "the rise of the entrepreneurial state," that is, the expanding role of state-level governments in economic development strategies in the wake of the macro-crisis of the 1970s and the consequent retrenchment of the federal government vis-à-vis transfers to the state governments, resulting in an era of austerity captured under the rubric of the "New Federalism" (O'Bowman and Kearney 1986; Eisinger 1988; Fosler 1988).

It is indisputable that in the postwar era the production and delivery of the range and scope of public services associated with the welfare state (social, health, education, and welfare services) could not be easily addressed within the duality of local and national states. Coordination and production of such public services required decentralization. With the advent of the welfare state, government is "no longer an institution concerned solely with high politics, suitable for decision at the centre. It is now a state primarily concerned with matters of low politics," or the delivery of "everyday things" (Meny and Wright 1985, 16). In comparative terms, these services are for the vast part delivered through subnational states where most public employees are indeed located (ibid., 19). In an era of permanent austerity, where public expenditures are to be controlled and the role of the state is limited and/or transformed, the subnational state has a pivotal role to play in the marketization of public goods and services and in creating the conditions necessary for the construction of labour-capital alliances and the weakening of trade union and working-class means to resist such transformations.

RESTRUCTURING AND RESISTANCE: AUSTERITY IN THE PROVINCES AND TERRITORIES

The ultimate paradox of Canadian politics in the second decade of the twenty-first century is how much has changed profoundly, yet the fault lines remain so familiar. Brodie (1990, 5) summed it up elegantly, writing that "Canadian politics revolves around persistent and divisive conflicts about the spatial distribution of economic development, state activity, living standards, government services, and political power … Our politics, in other words, has been dominated by the question of where economic activity has and will be located." Canada's subnational states are, of course, not coterminous with the various regions, but they are situated within geographic regions and shape those regions in particular economic and political terms. Brodie is concerned that the constitutional and political arrangements that compose federalism be kept distinct from the concept of regionalism. The ten provinces have been and still are "prominent actors in spatial politics" and particularly so through the province-building years marking the postwar era, but that does not correspond into "ten distinct regions whose boundaries overlap with provincial ones" (ibid., 15). For Brodie (ibid., 16), the historical/political point is that over the 1970s and 1980s, conflicts were constructed around divisions "between groups of provinces, especially resource-producing and consuming provinces." Moreover, Brodie rejects the argument that provincial governments are the only mechanism through which regional protest and agency can be expressed. That the federal party system was "the first vehicle for regional movements" – particularly farmers' movements but also, to a lesser degree, workers' movements and sectoral business interests (hydrocarbons, manufacturing) and linguistic movements (Quebec) – illustrates the point (ibid.). However, federal states are characterized by a greater incidence of "spatially based conflicts" than are unitary states (ibid., 70).

The problem here is that the spatial aspect of region is reified. While it is patently obvious that provinces and regions are not interchangeable, it is also equally obvious that rather robust provincial and territorial states have emerged that give regions political agency. It is around and through these highly autonomous subnational states that significant localized class, linguistic, and other struggles for representation and redistribution take place. And in this respect, it is not just that "the linkages between the state and the dominant class have been, and remain, not general and abstract but particularly close and intimate" (Panitch 1977, 9); it is because of this that the provinces and territories in particular have been and are still important sites of contestation. The very process of province building required significant institutional innovation entailing the acquisition of new and robust policy development and program delivery capacities, demonstrable competence in economic development and diversification, and the establishment of political and economic conditions conducive to social cohesion. This is the terrain upon which local/regional elites competed with one another as well as with other classes and sectional interests over the control and management of the institutions and state apparatus through which to exercise political power (Brownsey and Howlett 2001, 15).

The Public Sector in an Age of Austerity was conceived in this context. By bringing together leading experts from across the country, the book explores how public finances, services, and employment relations have been transformed in an alleged "post-recession" era. Contributors address a range of interrelated questions: To what extent have social program expenditures like health care, education, and social assistance been remade? How have these changes impacted different social and employment groups? Have provincial and territorial governments implemented new forms of expenditure restraint or revenue generation? In which ways have austerity measures led to confrontations with public-sector workers and community-based groups more generally? Which political and economic obstacles have been encountered along the way? What might alternative public policies emphasize? And what have (and, potentially, what could) forms of resistance look like? The following chapters each seek to grapple with these questions in various ways.

In chapter 1, Heather Whiteside shows how recent austerity measures in British Columbia parallel earlier periods of fiscal restraint and social program spending retrenchment, particularly the policies of Social Credit governments in the 1980s, the New Democratic Party (NDP) government in the 1990s and the Liberals through the 2000s. She shows how, contrary to the argument that austerity was/is necessary to create budgetary stability and economic prosperity, it has been a recurrent feature of neoliberal governance used to dismantle existing public services and public-sector trade-union militancy along more individualized, flexibilized, and market-oriented lines. In chapter 2, Keith Brownsey examines how revenue generation and public spending has been impacted since the 2008 recession in what has historically been Canada's most socially and fiscally conservative province, Alberta. Brownsey shows how former premier Ralph Klein used the deficit to make the case that Alberta had a spending problem and not a revenue problem. Tracing the focus on deficit and debt elimination from Klein to Ed Stelmach, he argues that the privatization of public services, austere public spending, reductions to public-sector workers' wages, deregulatory changes to electricity generation, and reductions to corporate income taxes became part and parcel of consecutive Alberta governments, known euphemistically as "the Alberta advantage."

Charles Smith turns our attention to Saskatchewan in chapter 3. While the election of the Saskatchewan Party in 2007 represented a turn toward incremental austerity, he shows how a neoliberalized political and economic context was inherited from both its Conservative and New Democratic predecessors. With reference to the privatization of public assets and services, Smith vividly details how the election of the Saskatchewan Party has intensified neoliberal social policy reforms, at times precipitating labour strife in the public and private sectors. In the context of the province's weakening labour movement, the government also tied individual workers more closely to the compulsions of the market, further constraining trade unions' political capacities to organize and bargain collectively. Next, David Camfield's chapter on Manitoba argues that neoliberalism in the province first found expression in the Progressive Conservative (PC) government of the late 1980s. Through the course of the 1990s, the PCs worked to implement core neoliberal policies, including the privatization of public assets and services, changes to labour legislation that made it more difficult for workers to unionize, and balanced budget legislation that constrained public services spending. In 1999, the NDP formed government and would go on to win the next three elections. However, Camfield contends that rather than retreating from neoliberalism, the NDP extended the hallmarks of marketization, most notably in the form of cuts to personal and corporate taxes. Although the provincial government did not turn to the harsh austerity measures adopted in other jurisdictions during the 2008 recession, Camfield shows how the "austerity-lite" measures of this period nevertheless negatively affected public-sector workers and access to public services.

In what follows, Bryan Evans and Carlo Fanelli shift focus to central Canada with an exploration of how the Great Recession has impacted the public finances of Ontario. They make the case that the policies emerging from the recession have pushed the ideological spectrum further to the right that evermore deploys anti-labour, anti-social welfare, and anti-democratic practices. With a focus on the development of labour legislation and social welfare policies over the postwar period, Evans and Fanelli show how McGuinty's and Wynne's Liberal governments of the 2000s have deepened and normalized the policies of the Common Sense Revolution left over from the Mike Harris Conservatives of the mid-1990s. Rather than repudiating neoliberalism, the Liberals further integrated the institutions of the provincial state with private capital and efforts to contain public-sector workers' right to free collective bargaining. Although Quebecers came into the crisis with a far more robust and redistributive welfare state, as Peter Graefe and Hubert Rioux Ouimet write in chapter 6, the ebb and flow of partisan politics seems to have made austerity a powerful card for conservative forces that have long sought to restructure the provincial state. They situate contemporary austerity measures in a historical light, drawing attention to how restructuring has been met by resistance and efforts to craft a more egalitarian and redistributive society, as illustrated by the Maple Spring of 2012. Graefe and Ouimet draw attention to how Quebec social and union movements have mobilized impressive opposition to austerity programmes, concluding with an examination of how the limited ability to form relays in institutional politics with the aim of blocking neoliberal initiatives has resembled these conditions elsewhere.

Moving east, in chapter 7 Jamie Gillies turns our attention to New Brunswick. He shows how the period from the 1960s to the end of the 1990s coincided with a range of new investments into the public sector, including infrastructure, health services and education in line with the rest of Canada. The last two decades, however, have been marked by growing uncertainty in New Brunswick over the ability to continue investing in the social and physical infrastructures of the province. Gillies makes the argument that federal offloading through the 1990s has resulted in a chronic structural deficit, which continues to hamstring provincial governments. If New Brunswick is to find its way out of the social and economic malaise, he argues, it needs to address fiscal pressures and grow the revenue side of public finance through economic development that is sustainable in the long run and not subject to volatile natural resources swings. Peter Clancy turns our attention to Nova Scotia in chapter 8 and shows how since the 1990s the province has experimented with a range of parties and policies, including everything from toll roads to planned tax cuts and mandated balanced budgets. In this respect, Nova Scotia offers a rich and varied site of neoliberal policy experimentation, some imported from elsewhere and some provincially conceived. Nevertheless, Clancy argues that considering both the structural and cyclical downturns in the provincial political economy, Nova Scotia governments have displayed moderation in the intensity of fiscal policies, notwithstanding at times fierce labour confrontations, as well as experimentation with a range of policy tools.

In chapter 9, Patricia Conrad turns to Prince Edward Island (PEI). She shows how PEI's largely rural setting, weak industrial base, and reliance on natural resources have contributed to the province's historically anaemic economic performance and dependence on federal transfers like equalization payments. At the same time, PEI has among the highest proportions of elderly residents and unhealthy populations, which has made a reliance on universal and accessible public services all the more necessary. Conrad carefully charts changes to PEI's health care system since the 1990s, which has moved from centralized to decentralized planning and, later, the formation of a single health authority that is arm's length from government and treats the Island as one large region. In focusing on changes to PEI's health systems management, Conrad shows how the context of austerity and retrenchment still lingering from the 2008 downturn has impacted Island budgeting and explores the implications it has had for the delivery of public services. In his discussion of Newfoundland and Labrador in chapter 10, Robert Sweeney shows how the province remains an outlier of sorts. While most provincial governments faced challenging political economic conditions brought on by the Great Recession, between 2005 and 2011 the province underwent perhaps its greatest transformation in Canadian history, with median incomes rising more than 40%. Over this time, the redistributive function of the provincial state was quite literally turned on its head as provincial policies generated marked increases in after-tax inequality. Sweeny shows how national-populist appeal in the province transcended divisions of class and gender by privileging race and ethnicity. It is this national-populist context, rooted in historical experiences not unlike Quebec, wherein a range of socially regressive cutbacks to welfare, particularly revenue-raising capacities, has characterized the last decade of neoliberal dominance.

Jack Hicks shifts our attention north where the Nunavut Act was passed in 1993, paving the way for the territory to come into existence in 1999. Although austerity is often thought of as something introduced in the 1980s and 1990s, Hicks shows how the Eastern and Central Arctic never had a period of "normal" Keynesian welfare state development prior to the period of fiscal restraint introduced by the Chretien/Martin Liberals in the mid-1990s. While it could be said that Nunavut has followed a fiscally conservative path, more fundamentally, argues Hicks, it has followed a politically conservative path – with conservative economic and social policies. He makes the case that so great is the desire of the political/managerial elite to be seen as a "normal" government running a "normal" jurisdiction that it has not found the courage to tackle the social suffering that continues to limit its future. In chapter 12, Ken Coates and Greg Poelzer show how, more than anywhere else in Canada, Aboriginal Peoples and politics matter, as Aboriginal Peoples constitute 25% of the population in Yukon, 50% in the Northwest Territories, and 85% in Nunavut. Focusing on the Northwest Territories (NWT), Coates and Poelzer argue that the politics of austerity characteristic in many of Canada's largest provinces did not occur in parallel ways across the NWT. They contend that greater regional autonomy and Aboriginal self-determination, as well as the federal government's response to these demands, is central to understanding fiscal relations, service delivery, and employment in the territorial North. Despite being heavily reliant on federal government subsidies and still in the process of securing control of their resources, the NWT followed a fiscally conservative path, eschewing major stimulus programs, rejecting a major expansion in territorial services, and maintaining small territorial surpluses through the recession. Jerald Sabin follows this analysis by showing how the Yukon continues to operate a high-cost, high-wage, and low-demand environment dominated by both the public sector and resource-extractive industries. As Sabin shows, despite its reliance on public-sector spending, Yukon has managed to double its revenues, post only one budget deficit in the past decade, and have no public debt. In this respect, the territory has largely avoided the divisive politics of austerity that has marred other jurisdictions. In contrast, the Yukon's political discourse has been dominated by debates over new capital and service investments, rather than public service cuts and privatization.

Together, these chapters provide original and timely analyses of public services, finances, and employment in an era of austerity. Some concepts and terms will be familiar to readers, while others will be new. As will become clear in the chapters that follow, Keynesianism refers to a series of policies inspired by the writings of John Maynard Keynes, notably in his book *The General Theory of Employment, Interest and Money*. Keynesian principles, dominant over the three decades following the Second World War, promoted active fiscal and monetary policies (even if that meant running temporary budget deficits), state-led planning and in some instances outright ownership of key economic sectors, progressive taxation, expanded employment standards and union rights, as well as a basic commitment to universal social programs, capital controls, and domestic reinvestment. Key among the gains made by labour over this period is what has come to be known as the Rand formula, named after Justice Ivan Rand's landmark 1945 ruling in a dispute between General Motors and striking workers, which institutionalized compulsory union dues checkoff for all employees in a bargaining unit whether they were members or not, since all workers in the workplace benefitted in some form from unionism. The Rand formula also prohibited all strikes during the term of a collective agreement and instituted a system of financial penalties, to be drawn from union dues, which would be levied against the union in the event of an illegal strike.

However, by the 1970s Keynesianism had reached an impasse. This was rooted in stagnant economic growth, rising inflation, the relative weakening of capital vis-à-vis labour, an end to historically exceptional profitability and a return to moderate rates of growth, unstable exchange rates, industrial strife, high unemployment, rising public debts, and weak capital investment. Keynesian policies were thus replaced by neoliberal strategies, which included social policies oriented toward fiscal restraint, trade policies designed to promote competitiveness and capital mobility, and labour relations that both individuated economic risks and sought to weaken the collective power of labour (Fanelli 2015). In Canada, as across many North American and European countries, union density (the proportion of unionized workers as a percentage of all paid workers) declined significantly, leading to a sharp rise in inequality (Schmitt and Mitukiewicz 2011; Jaumotte and Buitron 2015).

As noted above, governments also promoted a range of tax cuts that eroded public finances, services and employment, in some cases creating a fundamental imbalance between revenues and expenditures, otherwise known as a structural deficit, which resulted in the sale of public assets and reductions to the universality of social programs. Neoliberalism sought to radically transform the public sector in line with private sector practices, which included the implementation of "new public management" policies. This theory asserted "that government, and more broadly, the public sector should function more like the private sector and should look to the market for inspiration and, whenever possible, emulate it" (Shields and Evans 1998, 56). A policy manual materialized for public-sector management, which included the privatization of public goods and services, a greater reliance on short-term labour, outsourcing and contracting out, and commercialization of state services such as user-pay provisions, monetization of public assets, and competition between public agencies. All things considered, in the neoliberal "lean" state the privatization and commercialization of public services and assets has steadily usurped any counter-mechanisms – ombudsman offices, freedom of information, citizen participation and review panels, new forms of democracy, and so forth – for democratic accountability and social provision in what can otherwise be characterized as a period of "permanent austerity" (Albo and Fanelli 2014).

THE PLACE-BASED PARADOX OF AUSTERITY

In Canada, the vertical fiscal imbalance between the provinces/territories and the federal government, in addition to the horizontal fiscal imbalance between the provinces and territories, has been exacerbated by a shift in fiscal federalism from one informed by a nation-building imperative to one that sought to re-establish a sound money orthodoxy as the underpinning of federal fiscal policy. In addition, the resources boom of the latter half of the first decade of the twenty-first century was felt unevenly, with oil-producing provinces (Alberta, Newfoundland and Labrador, Saskatchewan) in particular reaping significant benefits while the manufacturing provinces (Ontario and Quebec) endured relatively stagnant economic growth combined with growing public deficits and debts. As a result, the Canadian dollar appreciated markedly, moving the modest Canbuck into the folio of petro currencies. Federal economic policy encouraged foreign investment in the hydrocarbon sector, some argued, introducing "Dutch disease" to Canada. Since the turn of the century, the once again ascendant resource industries, and oil in particular, returned Canada to its staples-economy roots (Stanford 2012, 1). The gravity of the resources boom drew in capital investment at the expense of more lucrative value-added export sectors. A similar phenomenon occurred in the Netherlands in the 1960s as that country embarked on the exploitation of North Sea oil, where the term "Dutch disease" was coined.

As the public finances of Alberta, Saskatchewan, and Newfoundland improved markedly, those of Manitoba, Ontario, Quebec, and other oil-less provinces languished. The collapse of commodity prices generally, and oil in particular, resulted in a 25% decline in the value of the Canadian dollar relative to the US dollar though the course of

2015. Searching for the silver lining, the expectation was that the benefit of a lower dollar would kick-start the ailing manufacturing sector. This failed to materialize in any substantial way, to the chagrin of Ontario and Quebec governments. Canada's return to a resources-driven, boom-and-bust economic dynamic was not entirely a result of emerging economies' demand for commodities. It was a policy choice that the federal government made, and it also resulted from the failure of the provinces to design and implement successful alternative economic development strategies. It was as if the debates of the 1960s and 1970s regarding Canadian economic sovereignty and value-added production had never taken place. The ideational dominance of neoliberalism within public-policy circles is locked in as much as alternative thinking about industrial policy is locked out.

Historically, the study of Canadian political economy has played an essential role in unpacking how divided societies were able to construct policies that sustained long-term capital accumulation within the rubric of a single state (Whitaker 1977). The regional dimensions of these policies are to be understood as "an expression of and a response to phases of capitalist accumulation and class conflict and they imprint themselves on the geographic landscape in the character of economic activity and in political conflict" (Brodie 1990, 4). When the federal government moved to restructure the economic and financial commitments associated with Canada's version of postwar Keynesian capitalism in the 1980s and 1990s, it effectively downloaded responsibility for curtailing redistributive policies and public expenditures onto the provinces and territories. As the chapters that follow make clear, the period since 2006, and in particular since the onset of the global economic crisis, can be understood as an intensive period of neoliberal restructuring wherein a particular vision of federalism understood in strict constitutionalist terms was rolled out, with important consequences across the provinces and territories.

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